



**MARULENG LOCAL MUNICIPALITY**  
(Registration number LIM 335)  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 30 JUNE 2019**

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## General Information

---

<b>Legal form of entity</b>	Category C Municipality
<b>Nature of business and principal activities</b>	South African Grade 3 Municipality (Local Municipality) as defined by the Municipal Structures Act. (Act no 117 of 1998)
<b>Mayor</b>	Cllr HM Thobejane
<b>Chief Whip</b>	Cllr ML Mongadi
<b>Speaker</b>	Cllr MJ Mahlo
<b>Councillors</b>	Cllr MJ Rakgoale (Exco Member) Cllr NV Lewele (Exco Member) Cllr MR Maakamela (Exco Member) Cllr PE Shai (Exco Member) Cllr B Mohlabe Cllr DM Sebela Cllr EC Du Preez Cllr JT Morema Cllr LV Shaaai Cllr MA Mathaba Cllr MD Popela Cllr MF Madike Cllr MJ Modiba Cllr MM Komane Cllr MO Mathipa Cllr MR Malepe Cllr MS Kgohloane Cllr MT Mongadi Cllr SC Shokane Cllr SF Mahlo Cllr SL Mkansi Cllr SV Mametja Cllr TD Mogale
<b>Grading of local authority</b>	Grade 3 Municipality
<b>Acting Chief Finance Officer (CFO)</b>	Ms MF Sekobela (Acting from 1 July 2017)
<b>Accounting Officer</b>	Ms ML Mokonyane (Acting From July to September 2018) Ms KV Sithole (Acting From October to December 2018) Mr MC Machubene (From January 2019 to June 2019) Mr TG Magabane (From 1 July 2019)
<b>Registered office</b>	Maruleng Municipal Offices 65 Springbok Street Hoedspruit
<b>Business address</b>	65 Springbok Street Hoedspruit 1380

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## General Information

---

<b>Postal address</b>	PO Box 627 Hoedspruit
<b>Telephone Number</b>	015-793 2409
<b>Fax Number</b>	015-793 2341
<b>Email Address</b>	Info@maruleng.gov.za
<b>Website</b>	www.maruleng.gov.za
<b>Auditors</b>	Audited by: Auditor-General of SA (AGSA)
<b>Bankers</b>	Standard Bank of South African (Primary Bank) Steyn and Clarke Attorneys
<b>Attorneys</b>	Mohale Incorporated Edwin S Nkwana Incorporated SD Mdhuli Attorneys Talane & Associates Attorneys
<b>Audit Committee members</b>	Mr L Lankalebalele (Chairperson) Mr K Mosupa Ms M Makhongele

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Index

---

The reports and statements set out below comprise the financial statements presented to the provincial legislature:

	<b>Page</b>
Accounting Officer's Responsibilities and Approval	4
Audit Committee Report	5
Accounting Officer's Report	6 - 7
Statement of Financial Position	8
Statement of Financial Performance	9
Statement of Changes in Net Assets	10
Cash Flow Statement	11
Statements of Comparison of Budget and Actual Amounts	12 - 18
Accounting Policies	19 - 56
Notes to the Financial Statements	57 - 99

COID	Compensation for Occupational Injuries and Diseases
GRAP	Generally Recognised Accounting Practice
CFO	Chief Financial Officer
VAT	Value Added Tax
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant
MSCOA	Municipal standard chart of accounts
FMG	Financial Management Grant
EPWP	Expanded Public Works Program

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Officer's Responsibilities and Approval

---

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the financial statements fairly present the state of affairs of the municipality as at the end of the reporting period and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and was given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges the ultimate responsibility for the system of internal financial control established by the municipality and places considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

Based on the information and explanations given by management, the accounting officer is of the opinion that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The accounting officer has reviewed the municipality's cash flow forecast for the period ending 30 June 2020 and, in the light of this review and the current financial position, is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of Councillors, loans made to Councillors, if any, and payments made to Councillors for loss of office, if any, as disclosed in these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

The municipality is partially dependent on inter-governmental grants and transfers as well as service charges for continued funding of operations. The financial statements are prepared on the basis that the municipality is a going concern and the Maruleng Local Municipality has neither the intention nor the need to liquidate or curtail materially the scale of its operations.

The Accounting Officer further certifies that the remuneration of councillors as disclosed in the relevant note to the financial statements is in accordance with the Public Office Bearers Act (Act 20 of 1998) and the Minister of Co-operative Governance and Traditional Affairs' determination of upper limits of the salaries, allowances and benefits as promulgated annually.

The financial statements set out on pages 57 to 99, which have been prepared on the going concern basis, were approved and signed on behalf of the Municipality by:

---

**Mr TG Magabane (From 1 July 2019)**  
**ACCOUNTING OFFICER - Municipal Manager**

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Audit Committee Report

---

We are pleased to present our report for the financial year ended 30 June 2019.

### **Audit committee members and attendance**

The audit committee consists of the members listed hereunder and should meet 4 times per annum as per its approved terms of reference. During the current year 3 number of meetings were held.

### **Audit committee responsibility**

The audit committee reports that it has complied with its responsibilities arising from section 166(2)(a) of the MFMA.

The audit committee also reports that it has adopted appropriate formal terms of reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

### **The effectiveness of internal control**

The system of internal controls applied by the municipality over financial and risk management is effective, efficient and transparent. In line with the MFMA and the King III Report on Corporate Governance requirements, Internal Audit provides the audit committee and management with assurance that the internal controls are appropriate and effective. This is achieved by means of the risk management process, as well as the identification of corrective actions and suggested enhancements to the controls and processes. From the various reports of the Internal Auditors, the Audit Report on the financial statements, and the management report of the Auditor-General South Africa, it was noted that no matters were reported that indicate any material deficiencies in the system of internal control or any deviations therefrom. Accordingly, we can report that the system of internal control over financial reporting for the period under review was efficient and effective.

The quality of in year management and monthly/quarterly reports submitted in terms of the MFMA and the Division of Revenue Act.

The audit committee is not satisfied with the content and quality of monthly and quarterly reports prepared and issued by the Accounting Officer of the municipality during the year under review.

### **Evaluation of financial statements**

The audit committee has not:

- reviewed and discussed the unaudited financial statements to be included in the annual report, with the Auditor-General and the Accounting Officer;
- reviewed the Auditor-General of South Africa's management report and management's response thereto;
- reviewed changes in accounting policies and practices (delete if not applicable);
- reviewed the entities compliance with legal and regulatory provisions;
- reviewed significant adjustments resulting from the audit.

The audit committee concur with and accept the Auditor-General of South Africa's report the financial statements, and are of the opinion that the audited financial statements should be accepted and read together with the report of the Auditor-General of South Africa.

### **Internal audit**

The audit committee is not satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality and its audits.

### **Auditor-General of South Africa**

The audit committee has not met with the Auditor-General of South Africa to ensure that there are no unresolved issues.

---

**Chairperson of the Audit Committee**

**Date:** \_\_\_\_\_

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Officer's Report

---

The accounting officer submits his report under review.

### 1. Review of activities

#### Main business and operations

The municipality is an investment and management entity with trading controlled entities engaged in south african grade 3 municipality (local municipality) as defined by the municipal structures act. (act no 117 of 1998). The municipality operates principally in South Africa and [state other countries].

Net surplus of the municipality was R 67 100 471 (2018: surplus R 73 227 181).

### 2. Going concern

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus (deficit) of R 589 950 974 and that the municipality's total assets exceed its liabilities by R 589 950 974.

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

### 3. Subsequent events

The accounting officer is not aware of any matter or circumstance arising since the end of the period under review.

The municipality implemented the regulated MSCOA (Municipal Standard Chart Of Accounts) and is currently in compliance with the relevant regulations. This will however have an effect on the annual financial statements and will result in disclosure changes. The changes are detailed in the relevant restatement note.

### 4. Accounting Officer's interest in contracts

The accounting officer declares not to have any interest in contracts of the municipality.

### 5. Accounting policies

The annual financial statements prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board as the prescribed framework by National Treasury.

The impact on the results of the municipality in adopting the above policies is reflected in note - to the financial statements.

The financial statements are prepared in accordance with the prescribed Standards of Generally Recognised Accounting Practices (GRAP) issued by the Accounting Standards Board (ASB) as the prescribed framework by National Treasury.

### 6. Non-current assets

Details of major changes in the nature of the non-current assets of the municipality during the period under review is set out in the notes to the financial statements.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Officer's Report

---

### 7. Accounting Officer

The position of the accounting officer of the municipality during the financial period under review were held by:

Name	Nationality
Ms ML Mokonyane (Acting From July to September 2018)	South African
Ms KV Sithole (Acting From October to December 2018)	South African
Mr MC Machubene (From January 2019 to June 2019)	South African
Mr TG Magabane (From 1 July 2019)	South African

### 8. Corporate governance

#### General

The accounting officer is committed to business integrity, transparency and professionalism in all municipal activities. As part of this commitment, the accounting officer supports the highest standards of corporate governance and the ongoing development of best practice.

#### Councillors

The council:

- retains full control over the municipality, its plans and strategy;
- acknowledges its responsibilities as strategy, compliance with internal policies, external laws and regulations, effective risk management and performance measurement, transparency and effective communication both internally and externally by the municipality;
- is of a unitary structure comprising:
  - Mayor
  - Speaker
  - Executive committee
  - Ordinary councillors.

#### Mayor and Municipal Manager

The roles of the Mayor and Municipal Manager are separate, with responsibilities divided between them, so that no individual has unfettered powers of discretion. The mayor and council perform their oversight role and duties in terms of the prescribed legislation and delegated authorities.

#### Audit committee

Mr L Lankalebalele was the Chairperson of the audit committee. The audit committee met during the period under review to review matters necessary to fulfil its role.

In terms of Section 166 of the Municipal Finance Management Act, the municipality must appoint members of the Audit Committee. National Treasury policy requires that municipalities should appoint further members of the municipality's audit committee who are not councillors onto the audit committee.

### 9. Bankers

The municipality banks with Standard Bank of South Africa.

### 10. Auditors

The Audited by: Auditor-General of SA (AGSA) will continue as the municipality's external auditors as prescribed by the Auditor-General Act (Act no 12 of 1995).

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Statement of Financial Position as at 30 June 2019

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	3	47 774	162 002
Receivables from exchange transactions	4	3 163 458	2 857 464
Receivables from non-exchange transactions	5	17 700 481	17 098 753
VAT receivable *Restated	6	9 505 309	12 877 495
Other debtors	7	2 291 963	1 363 251
Cash and cash equivalents	8	137 892 725	131 869 906
		<b>170 601 710</b>	<b>166 228 871</b>
<b>Non-Current Assets</b>			
Investment property	9	8 950 000	6 796 836
Property Plant and Equipment	10	469 778 974	394 283 113
Intangible assets	11	298 294	447 467
Heritage assets	12	372 500	222 000
		<b>479 399 768</b>	<b>401 749 416</b>
<b>Total Assets</b>		<b>650 001 478</b>	<b>567 978 287</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Finance lease obligation	13	1 233 708	-
Payables from exchange transactions *Restated	14	30 062 133	21 471 924
Trade and other payables from non exchange transactions	15	5 476 777	6 445 398
Provisions	16	8 824 558	7 036 504
Unspent conditional grants and receipts	17	5 112	290
		<b>45 602 288</b>	<b>34 954 116</b>
<b>Non-Current Liabilities</b>			
Finance lease obligation	13	3 471 503	-
Provisions - Employee benefit obligation	18	10 976 697	10 173 668
		<b>14 448 200</b>	<b>10 173 668</b>
<b>Total Liabilities</b>		<b>60 050 488</b>	<b>45 127 784</b>
<b>Net Assets</b>		<b>589 950 990</b>	<b>522 850 503</b>
Accumulated surplus		589 950 974	522 850 503

\* See Note 48

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Statement of Financial Performance

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Agency services	19	1 940 855	2 129 794
Interest received - receivables	20	6 135 275	3 536 984
Interest received - investment	20	8 071 510	6 748 684
Licences and permits	21	2 716 240	2 490 110
Other revenue	23	1 686 615	2 426 985
Rental of facilities and equipment	50	274 696	224 089
Service charges	24	3 497 886	3 150 246
<b>Total revenue from exchange transactions</b>		<b>24 323 077</b>	<b>20 706 892</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	25	77 052 804	70 269 431
Traffic fines	26	610 071	398 600
Gains from fair-valuing of assets		-	1 502 941
<b>Transfer revenue and other receipts</b>			
Government grants & subsidies - Operating	27	112 485 192	102 321 808
Government grants & subsidies - Capital	27	41 332 179	27 222 902
<b>Total revenue from non-exchange transactions</b>		<b>231 480 246</b>	<b>201 715 682</b>
<b>Total revenue</b>		<b>255 803 323</b>	<b>222 422 574</b>
<b>Expenditure</b>			
Employee related costs	28	(63 219 230)	(56 700 110)
Remuneration of councillors	29	(10 572 715)	(10 367 363)
Depreciation and amortisation	30	(19 333 232)	(16 989 003)
Impairment loss/ Reversal of impairments	31	(2 475 530)	(4 459 298)
Finance costs	32	(1 245 772)	(25 165)
Lease rentals on operating lease	22	(96 188)	-
Debt Impairment	5	(27 865 176)	(8 774 365)
Contracted services	47	(13 534 621)	(9 599 233)
Loss on disposal of assets and liabilities	34	(343 074)	(159 149)
General Expenses	33	(53 285 333)	(42 121 707)
<b>Total expenditure</b>		<b>(191 970 871)</b>	<b>(149 195 393)</b>
Fair value adjustments		2 303 664	-
Actuarial Gains / (Losses)		964 355	-
<b>Surplus for the year</b>		<b>67 100 471</b>	<b>73 227 181</b>

\* See Note 48

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as previously reported	449 699 036	449 699 036
Adjustments		
Correction of errors - Assets	(75 714)	(75 714)
<b>Balance at 01 July 2017 as restated*</b>	<b>449 623 322</b>	<b>449 623 322</b>
Changes in net assets		
Surplus for the year	73 227 181	73 227 181
Total changes	73 227 181	73 227 181
Opening balance as previously reported	521 559 616	521 559 616
Correction of errors	1 290 887	1 290 887
<b>Restated* Balance at 01 July 2018 as restated*</b>	<b>522 850 503</b>	<b>522 850 503</b>
Changes in net assets		
Surplus for the year	67 100 471	67 100 471
Total changes	67 100 471	67 100 471
<b>Balance at 30 June 2019</b>	<b>589 950 974</b>	<b>589 950 974</b>
Note(s)	Correction of prior year errors <sup>48</sup>	

\* See Note 48

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Cash Flow Statement

Figures in Rand	Note(s)	2019	2018 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates and service charges		57 822 273	64 645 312
Grants and subsidies		153 822 193	129 545 000
Interest income		14 206 785	10 285 668
Other receipts		3 627 470	(5 037 733)
		229 478 721	199 438 247
<b>Payments</b>			
Employee costs		(71 779 206)	(65 153 208)
Suppliers		(56 618 394)	(30 398 903)
Finance costs		-	-
Interest paid		(2 264 989)	(25 165)
		(130 662 589)	(95 577 276)
<b>Net cash flows from operating activities</b>	35	<b>98 816 132</b>	<b>103 860 971</b>
		98 816 132	103 548 635
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment and other assets	10	(97 498 524)	(82 933 614)
Purchase of other intangible assets	11	-	-
<b>Net cash flows from investing activities</b>		<b>(97 498 524)</b>	<b>(82 933 614)</b>
<b>Cash flows from financing activities</b>			
Financial liability		4 705 211	(190 874)
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>6 022 819</b>	<b>20 424 147</b>
Cash and cash equivalents at the beginning of the year		131 869 906	111 445 759
<b>Cash and cash equivalents at the end of the year</b>	8	<b>137 892 725</b>	<b>131 869 906</b>

\* See Note 48

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Statements of Comparison of Budget and Actual Amounts

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue by source</b>						
Service charges-refuse revenue	3 336 924	107 695	<b>3 444 619</b>	3 497 886	<b>53 267</b>	
Rental of facilities and equipment	371 400	(2 465)	<b>368 935</b>	274 696	<b>(94 239)</b>	
Interest received (trading)	5 756 760	8 995	<b>5 765 755</b>	6 135 275	<b>369 520</b>	
Interest earned - external investments	6 500 004	500 000	<b>7 000 004</b>	8 071 510	<b>1 071 506</b>	
Licences and permits	3 399 708	1 109 065	<b>4 508 773</b>	2 716 240	<b>(1 792 533)</b>	
Agency services	-	10 226 040	<b>10 226 040</b>	1 940 855	<b>(8 285 185)</b>	
Other revenue	6 013 692	(3 212 660)	<b>2 801 032</b>	1 686 615	<b>(1 114 417)</b>	
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>25 378 488</b>	<b>8 736 670</b>	<b>34 115 158</b>	<b>24 323 077</b>	<b>(9 792 081)</b>	
<b>Revenue from non-exchange transactions</b>						
<b>Taxation revenue</b>						
Property rates	68 756 856	8 730 230	<b>77 487 086</b>	77 052 804	<b>(434 282)</b>	
Traffic fines	371 400	7 000	<b>378 400</b>	610 071	<b>231 671</b>	
<b>Transfer revenue</b>						
Government grants & subsidies - Operating	86 148 000	26 337 192	<b>112 485 192</b>	112 485 192	-	
Government grants & subsidies - Capital	-	-	-	41 332 179	<b>41 332 179</b>	
Other transfer revenue 2	26 337 000	15 000 000	<b>41 337 000</b>	964 355	<b>(40 372 645)</b>	
<b>Total revenue from non-exchange transactions</b>	<b>181 613 256</b>	<b>50 074 422</b>	<b>231 687 678</b>	<b>232 444 601</b>	<b>756 923</b>	
<b>Total revenue</b>	<b>206 991 744</b>	<b>58 811 092</b>	<b>265 802 836</b>	<b>256 767 678</b>	<b>(9 035 158)</b>	
<b>Expenditure by type</b>						
Employee related costs	(71 866 509)	3 528 068	<b>(68 338 441)</b>	(63 219 230)	<b>5 119 211</b>	
Remuneration of councillors	(11 188 500)	(247 735)	<b>(11 436 235)</b>	(10 572 715)	<b>863 520</b>	
Depreciation and amortisation	(27 589 224)	(3 000 005)	<b>(30 589 229)</b>	(19 333 232)	<b>11 255 997</b>	
Depreciation and asset impairment	-	-	-	(2 475 530)	<b>(2 475 530)</b>	
Finance charges	(80 004)	50 000	<b>(30 004)</b>	(1 245 772)	<b>(1 215 768)</b>	
Lease rental	-	-	-	(96 188)	<b>(96 188)</b>	
Debt impairment	(24 500 004)	15 300 005	<b>(9 199 999)</b>	(27 865 176)	<b>(18 665 177)</b>	7
Other materials	-	-	-	(2 473 609)	<b>(2 473 609)</b>	10
Contracted services	(25 063 896)	3 002 810	<b>(22 061 086)</b>	(13 534 621)	<b>8 526 465</b>	
Loss on disposal of assets	(2 473 908)	-	<b>(2 473 908)</b>	(343 074)	<b>2 130 834</b>	12
Other expenditure	(41 889 384)	(12 462 206)	<b>(54 351 590)</b>	(50 811 724)	<b>3 539 866</b>	11
<b>Total expenditure</b>	<b>(204 651 429)</b>	<b>6 170 937</b>	<b>(198 480 492)</b>	<b>(191 970 871)</b>	<b>6 509 621</b>	
<b>Surplus/ (Deficit)</b>	<b>2 340 315</b>	<b>64 982 029</b>	<b>67 322 344</b>	<b>64 796 807</b>		
Surplus/ (Deficit)	-	-	-	(343 074)	<b>(343 074)</b>	
Fair value adjustments	-	-	-	2 303 664	<b>2 303 664</b>	
	-	-	-	<b>1 960 590</b>	<b>1 960 590</b>	

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Surplus/ (Deficit) for the year</b>	<b>2 340 315</b>	<b>64 982 029</b>	<b>67 322 344</b>	<b>66 757 397</b>	<b>(564 947)</b>	
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>2 340 315</b>	<b>64 982 029</b>	<b>67 322 344</b>	<b>66 757 397</b>	<b>(564 947)</b>	

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Position</b>						
<b>Assets</b>						
<b>Current Assets</b>						
Cash and cash equivalents	(130 196 424)	270 228 251	<b>140 031 827</b>	137 892 725	<b>(2 139 102)</b>	1&2
Other debtors	9 867 000	15 650 123	<b>25 517 123</b>	3 163 458	<b>(22 353 665)</b>	
Inventories	66 708	100 000	<b>166 708</b>	47 774	<b>(118 934)</b>	5
Receivables from exchange transactions	15 350 544	18 029 142	<b>33 379 686</b>	2 291 963	<b>(31 087 723)</b>	
Receivables from non-exchange transactions	-	-	-	17 700 481	<b>17 700 481</b>	3
VAT receivable	-	-	-	9 505 309	<b>9 505 309</b>	4
	<b>(104 912 172)</b>	<b>304 007 516</b>	<b>199 095 344</b>	<b>170 601 710</b>	<b>(28 493 634)</b>	
<b>Non-Current Assets</b>						
Investment property	13 750 020	(6 953 186)	<b>6 796 834</b>	8 950 000	<b>2 153 166</b>	
Transport assets	383 181 192	(87 832 815)	<b>295 348 377</b>	469 778 974	<b>174 430 597</b>	
Intangible assets	2 000 004	(1 022 355)	<b>977 649</b>	298 294	<b>(679 355)</b>	6
Heritage assets	222 000	-	<b>222 000</b>	372 500	<b>150 500</b>	
	<b>399 153 216</b>	<b>(95 808 356)</b>	<b>303 344 860</b>	<b>479 399 768</b>	<b>176 054 908</b>	
<b>Total Assets</b>	<b>294 241 044</b>	<b>208 199 160</b>	<b>502 440 204</b>	<b>650 001 478</b>	<b>147 561 274</b>	
<b>Liabilities</b>						
<b>Current Liabilities</b>						
Finance lease obligation	-	-	-	1 233 708	<b>1 233 708</b>	
Payables from exchange transactions *Restated	437 107 428	(410 415 997)	<b>26 691 431</b>	30 062 133	<b>3 370 702</b>	7
Taxes and transfers payable	-	-	-	5 476 777	<b>5 476 777</b>	
Provisions	4 500 000	4 260 000	<b>8 760 000</b>	8 824 558	<b>64 558</b>	8
Unspent conditional grants and receipts	-	-	-	5 112	<b>5 112</b>	36
	<b>441 607 428</b>	<b>(406 155 997)</b>	<b>35 451 431</b>	<b>45 602 288</b>	<b>10 150 857</b>	
<b>Non-Current Liabilities</b>						
Finance lease obligation	-	-	-	3 471 503	<b>3 471 503</b>	37
Provisions - Employee benefit obligation	8 560 008	3 000 000	<b>11 560 008</b>	10 976 697	<b>(583 311)</b>	
	<b>8 560 008</b>	<b>3 000 000</b>	<b>11 560 008</b>	<b>14 448 200</b>	<b>2 888 192</b>	
<b>Total Liabilities</b>	<b>450 167 436</b>	<b>(403 155 997)</b>	<b>47 011 439</b>	<b>60 050 488</b>	<b>13 039 049</b>	
<b>Net Assets</b>	<b>(155 926 392)</b>	<b>611 355 157</b>	<b>455 428 765</b>	<b>589 950 990</b>	<b>134 522 225</b>	
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Community Wealth/ Equity</b>						
Accumulated surplus	(155 926 392)	611 355 157	<b>455 428 765</b>	589 950 990	<b>134 522 225</b>	

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Cash Flow Statement</b>						
<b>Cash flows from operating activities</b>						
<b>Receipts</b>						
Property rates, penalties & collection charges	68 756 856	8 730 230	<b>77 487 086</b>	70 269 431	<b>(7 217 655)</b>	1
Service charges	3 336 924	107 695	<b>3 444 619</b>	(5 624 114)	<b>(9 068 733)</b>	2
Other revenue	10 156 200	8 126 980	<b>18 283 180</b>	(5 350 069)	<b>(23 633 249)</b>	
Government grants - Operating	112 485 000	26 337 290	<b>138 822 290</b>	-	<b>(138 822 290)</b>	
Interest	12 256 764	508 995	<b>12 765 759</b>	10 285 668	<b>(2 480 091)</b>	3
	<b>206 991 744</b>	<b>43 811 190</b>	<b>250 802 934</b>	<b>69 580 916</b>	<b>(181 222 018)</b>	
<b>Payments</b>						
Suppliers and employees	(227 005 920)	(168 370 561)	<b>(395 376 481)</b>	(95 577 276)	<b>299 799 205</b>	4
Finance costs	(80 004)	(50 000)	<b>(130 004)</b>	-	<b>130 004</b>	5
	<b>(227 085 924)</b>	<b>(168 420 561)</b>	<b>(395 506 485)</b>	<b>(95 577 276)</b>	<b>299 929 209</b>	
<b>Net cash flows from/ (used) operating activities</b>	<b>(20 094 180)</b>	<b>(124 609 371)</b>	<b>(144 703 551)</b>	<b>(25 996 360)</b>	<b>118 707 191</b>	
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(102 750 276)	(4 069 861)	<b>(106 820 137)</b>	-	<b>106 820 137</b>	7
Purchase of other intangible assets	2 473 908	-	<b>2 473 908</b>	-	<b>(2 473 908)</b>	
<b>Net cash flows from investing activities</b>	<b>(100 276 368)</b>	<b>(4 069 861)</b>	<b>(104 346 229)</b>	-	<b>104 346 229</b>	
Net increase/(decrease) in cash and cash equivalents	(120 370 548)	(128 679 232)	<b>(249 049 780)</b>	(25 996 360)	<b>223 053 420</b>	
Cash and cash equivalents at the beginning of the year	(135 851 319)	524 932 926	<b>389 081 607</b>	-	<b>(389 081 607)</b>	
<b>Cash and cash equivalents at the end of the year</b>	<b>(256 221 867)</b>	<b>396 253 694</b>	<b>140 031 827</b>	<b>(25 996 360)</b>	<b>(166 028 187)</b>	

## REVENUE

### Agency services

The revenue and expenditure budgets for agencies is reflected on a separate line items. The net effect of the two segments is within the 10% norm. Refer to note 17

### Interest received on debtors

- The municipality changed the way in which interest on overdue accounts is charged. Interest was charged on the current portion (prior month debt) of debt but is now charged on the total amount outstanding.

### Interest on external investment

- The municipality made deposits into the investment account and as a result there was an increase in interest earned.

### Rental of facilities and equipment

- Most of the clients did not review their service level agreement for rental.

### Licence and permits

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

- The number of learners licence applicants has decreased due to change of the computerised learners license system. The new RTMC system was installed in February 2019 and it was not operational for a period of two months due to system failure.

### Other revenue

- Less application for town planning and building plans were received in 2018/19 financial year as compared to 2017/18.

### Traffic fines

- Adherence to work schedule, intensification of law enforcement and had joint operations with other stakeholders e.g. SAPS.

## EXPENDITURE

### Employee related costs

- There was a delay in the appointment of top level management positions. The municipality has a total of 4 director posts that are still vacant. Namely Municipal Manager, Chief Financial Officer, Director community services and director Spatial Planning.

### Debt impairment

- The difference is therefore due to incorrect budgeting and inadequate adherence of revenue enhancement strategy resulting in an increase of the provision for doubtful debts. The municipality has an increase in number of debtors whose accounts are in arrears for a period of 120 days and more.

### Loss on sale of disposal

- Assets were fully impaired and only R332 769 on the assets register were disposed.

### Contracted services

- The municipality doesn't have enough resources to carry out refuse removal services. Currently the municipality owns one truck to carry out refuse removal duties. Whenever there is a breakdown due to some unforeseen circumstances, the municipality has to incur additional costs in order to sustain service delivery

## STATEMENT OF FINANCIAL POSITION

### Receivables from exchange transactions

- New tariffs for 2018/19 were approved by council, which led to an increase in rates of services. On the MBRR the budget is recorded as consumer debtors which include receivable from exchange transaction and receivable from non-exchange transactions.

### Receivables from non - exchange transactions

- Compilation of Supplementary Valuation that is conducted monthly and Supplementary Valuation Roll.

### Other debtors

- On the MBRR/budget other debtors consists of vat receivable and other debtors. Salary suspense account were not 100% cleared.

### VAT receivable

- VAT returns for the 2017/18 financial year were paid in the 2018/19 financial year which decreased the VAT receivable. The budget is included under other debtors.

### Inventory

- Lot of stock at hand was utilised during 2018/19.

### Cash and Cash equivalents

- There was a delay in completion of the projects, there was a community unrest for balloon access road and the

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

other projects could not be implemented due to insufficient budget for Bismarck, Kampersrus and Hoedsput road. There was also an increase in the municipality's call deposit account due to interest earned.

### Property, plant and equipment

- There was a delay in some of projects which were expected to be completed in the 2018/19 financial year (they are still in WIP and not depreciating). The projects include Lorraine Bellville access road, Madeira access road and Kanana to Mahlomelong roads.

### Intangible assets

- The service provider was appointed to install the system in 2018/19 financial year however the installation was not done, the service provider indicated that due to backlog, the installation will be made in 2019/20 financial period.

### Payable from exchange transactions

- Lot of the projects for 2018/19 were under construction, which lead to more unpaid retention and accruals. The budget document does not split between payable from exchange transaction and exchange transaction they both called trade and other payable.

### Payable from non-exchange transactions

- The municipality had a lot of deposit for building plans and community halls which was remaining in our book as outstanding creditors, the money is only paid to the customer after the municipality receiving completion certificates from building unit. The budget document does not split between payable from exchange transaction and exchange transaction they both called trade and other payable.

### Unspent conditional grants

- The municipality spent 99.99% on the conditional grants

### Provisions- Current liabilities

- The Basic Condition for Employment act (BCEA) rating was used to calculate leave provision. Before the BCEA rating, the number of days and salaries were used to calculate provision. The BCEA rating considers additional factors like acting allowance, overtime.

### Provisions - Employee benefit obligation

- The provision increased due to increase in inflation. The number of employees joining medical aid increased.

## CAPITAL EXPENTURE

### Roads infrastructure

- There was a delay in completion of the projects, there was a community unrest for balloon access road and the other projects could not be implemented due to insufficient budget for Bismarck, Kampersrus and Hoedsput road.

### Cemeteries

- 5 projects (fencing of graveyard) were appointed during the year under review, four were completed and the other one was completed in 2019/20 financial period.

### Transport Assets

- **The delivery of vehicles were incomplete there were three outstanding trucks that were delivered in 2019/20 which affected 2018/19 budget not fully spend.**

### Computer equipment

- Delay in the appointment of service provider.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Statements of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
--	-----------------	-------------	--------------	------------------------------------	--	-----------

Figures in Rand

### Machinery and equipment

- Delay in appointment of service provider for own funding projects.

### CASH FLOW STATEMENTS

#### Property rates, penalties and collection charges

- The municipality revenue for property rates was based on the actual budget that was made on 2018/19 financial period, the municipality managed to receive more revenue on property rates than anticipated.

#### Service charges

- The municipality revenue for services was based on the actual budget that was made on 2017/18 financial period, the municipality receive less revenue on services charges than anticipated.

#### Interest

- The municipality cash flow revenue interests is more than anticipated. The interest was based on the money that was invested on 2017/18.

#### Suppliers and employees

- As part of expenditure curtailment measures recommended by National Treasury, the municipality exercised fiscal restraint on a number of operational votes. As a result thereof, the municipality made savings on line items considered to be not directly related to service delivery, such as operational programmes. The budget split other material and other expenditure while the AFS doesn't split the two function, there are all called other expenditure on the AFS.

#### Capital expenditure

There was a delay in completion of the projects, there was a community unrest for balloon access road and the other projects could not be implemented due to insufficient budget for Bismarck, Kampersrus and Hoedsput road.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1. Presentation of Financial Statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board (ASB) in accordance with Section 122(3) of the Municipal Municipal Finance Management Act (Act 56 of 2003).

The financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

Assets, liabilities, revenues and expenses have not been offset, except where offsetting is either required or permitted by a Standard of GRAP.

The annual financial statements presents fairly the financial position, performance and cashflow of the municipality.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These financial statements are presented in South African Rand (R), rounded off to the nearest Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Significant judgements and sources of estimation uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

##### Trade receivables / Held to maturity investments and/or loans and receivables

The Gauteng Provincial Legislature assesses its trade receivables and loans and receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the surplus makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables, held to maturity investments and loans and receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

##### Impairment testing

The recoverable amounts of cash-generating units and individual assets have been determined based on the higher of value-in-use calculations and fair values less costs to sell. These calculations require the use of estimates and assumptions. It is reasonably possible that the assumption may change which may then impact our estimations and may then require a material adjustment to the carrying value of goodwill and tangible assets.

##### Provisions

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note for Provisions.

##### Useful lives of property plant, equipment and intangible assets

The GPL's's management determines the estimated useful lives and related depreciation charges for the property plant and equipment, and software and development cost. This estimate is based on pattern in which as assets future economic benefit or services potential are expected to be consumed by the entity.

##### Effective interest rate

---

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.3 Significant judgements and sources of estimation uncertainty (continued)

The GPL uses an appropriate rate, taking into account guidance provided in the accounting standards and applying professional judgement to the specific circumstances to discount future cash flows.

### 1.4 Comparative Information

#### 1.4.1 Current year comparative budget

Budget information in accordance with GRAP 1 and 24, has been provided in these annual financial statements.

#### 1.4.2 Prior year comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are also reclassified and restated, unless such comparative reclassification and/or restatement is not required by a Standard of GRAP. The nature and reason for such reclassifications and restatements are also disclosed.

Where material accounting errors, which relate to prior periods, have been identified in the current year, the correction is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable and the prior year comparatives are restated accordingly.

The presentation and classification of items in the current year is consistent with prior periods.

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.5 Transfer of functions between entities under common control

#### Definitions

An acquirer is the municipality that obtains control of the acquiree or transferor.

Carrying amount of an asset or liability is the amount at which an asset or liability is recognised in the statement of financial position.

Control is the power to govern the financial and operating policies of another municipality so as to benefit from its activities.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential.

A merger is the establishment of a new combined entity in which none of the former entities obtains control over any other and no acquirer can be identified.

Transfer date is the date on which the acquirer obtains control of the function and the transferor loses control of that function.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another municipality.

A transferor is the municipality that relinquishes control of a function.

Common control - For a transaction or event to occur between entities under common control, the transaction or event needs to be undertaken between entities within the same sphere of government or between entities that are part of the same economic entity. Entities that are ultimately controlled by the same entity before and after the transfer of functions are within the same economic entity.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an municipality's objectives, either by providing economic benefits or service potential. A function consists of inputs and processes applied to those inputs that have the ability to create outputs. A function can either be a part or a portion of an entity or can consist of the whole municipality. Although functions may have outputs, outputs are not required to qualify as a function. The three elements of a function are defined as follows:

- Input: Any resource that creates, or has the ability to create, outputs when one or more processes are applied to it.
- Process: Any system, standard, protocol, convention or rule that when applied to an input or inputs, creates or has the ability to create outputs.
- Output: The result of inputs and processes applied to achieve and improve efficiency. This may be in the form of achieving service delivery objectives, or the delivery of goods and/or services.

#### Accounting by the entity as transferor

#### Derecognition of assets transferred and liabilities relinquished

As of the transfer date, the municipality derecognises from its financial statements, all the assets transferred and liabilities relinquished in a transfer of functions at their carrying amounts.

Until the transfer date, the municipality continues to measure these assets and liabilities in accordance with applicable Standards of GRAP.

The consideration received from the acquirer can be in the form of cash, cash equivalents or other assets. If the consideration received is in the form of other assets, the municipality measures such assets at their fair value on the transfer date in accordance with the applicable Standard of GRAP. The difference between the carrying amounts of the assets transferred, the liabilities relinquished and the consideration received from the acquirer is recognised in accumulated surplus or deficit.

### 1.6 Transfer of functions between entities not under common control

#### Definitions

An acquiree is the entity and/or the functions that the acquirer obtains control of in a transfer of functions.

An acquirer is the entity that obtains control of the acquiree or transferor.

Acquisition date is the date on which the acquirer obtains control of the acquiree.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.6 Transfer of functions between entities not under common control (continued)

Contingent consideration is usually, an obligation of the acquirer to transfer additional assets or a residual interest to the former owners of an acquiree as part of the exchange for control of the acquiree if specified future events occur or conditions are met. However, contingent consideration also may give the acquirer the right to the return of previously transferred consideration if specified conditions are met.

Control is the power to govern the financial and operating policies of another entity so as to obtain benefit from its activities.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

A function is an integrated set of activities that is capable of being conducted and managed for purposes of achieving an entity's objectives, either by providing economic benefits or service potential.

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from the entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, asset or liability; or
- arises from contractual rights (including rights arising from binding arrangements) or other legal rights (excluding rights granted by statute), regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

A merger is the establishment of a new combined entity in which none of the former entities obtain control over any other and no acquirer can be identified.

Non-controlling interest is the interest in the net assets of a controlled entity not attributable, directly or indirectly, to a controlling entity.

Owners (for the purposes of this Standard), is used broadly to include holders of residual interests.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.

A transfer of functions is the reorganisation and/or the re-allocation of functions between entities by transferring functions between entities or into another entity.

#### The acquisition method

The municipality accounts for each transfer of functions between entities not under common control by applying the acquisition method.

Applying the acquisition method requires:

- (a) identifying the acquirer;
- (b) determining the acquisition date;
- (c) recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree; and
- (d) recognising the difference between (c) and the consideration transferred to the seller.

#### Determining what is part of the transfer of functions transaction

The municipality as acquirer and the acquiree may have a pre-existing relationship or other arrangement before or when negotiations for the transfer of functions began, or they may enter into a binding arrangement during the negotiations that is separate from the transfer of functions. In either situation, the municipality as acquirer identifies any amounts that are not part of what the municipality as acquirer and the acquiree (or its former owners) exchanged in the transfer of functions. The acquirer recognises as part of applying the acquisition method only the consideration transferred (if any) for the acquiree and the assets acquired and liabilities assumed by the municipality as acquirer in the transfer of functions as governed by the terms and conditions of the binding arrangement.

#### Subsequent measurement and accounting

---

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.6 Transfer of functions between entities not under common control (continued)

In general, a municipality as acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

### 1.7 Transport assets

#### Initial recognition

Transport assets are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of transport assets is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Transport assets is initially measured at cost.

The cost of an item of transport assets is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of transport assets is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of transport assets have different useful lives, they are accounted for as separate items (major components) of transport assets.

Costs include costs incurred initially to acquire or construct an item of transport assets and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of transport assets, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of transport assets, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of transport assets ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of transport assets.

Transport assets is carried at cost less accumulated depreciation and any impairment losses.

When an item of transport assets is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Transport assets are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

Transport assets is carried at cost less accumulated depreciation and any impairment losses.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.7 Transport assets (continued)

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

#### Subsequent measurement - Cost model

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Where the municipality replaces parts of an asset, it de-recognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an asset is capitalised when it increases the capacity or future economic benefits associated with the asset

#### Subsequent measurement - Land

Land is not depreciated as it is deemed to have an indefinite useful life. Subsequent to initial recognition, land is measured at fair value.

#### Depreciation and impairment

Depreciation is calculated on the asset's depreciable amount, using the straight-line method over the useful lives of the asset. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives as per the MFMA - Local Government Capital Assets Management Guideline:

---

Asset Description	Depreciation method	Useful Lifespan
Roads, pavements, bridges and storm water	Straight line	5- 100 years
Street names, signs and parking meters	Straight line	5-45 years
Community halls	Straight line	25 years
Libraries	Straight line	25 years
Recreation facilities	Straight line	25-100 years
Cemetery fencing	Straight line	10 years
Motor vehicles	Straight line	7-10 years
IT equipment	Straight line	5-7 years
Plant and equipment	Straight line	5-10 years
Office equipment	Straight line	5-7 years
Operational plant and equipment	Straight line	6-10 years
Finance Lease assets - Office equipment	Straight line	3-5 years
Books and Publications	Straight line	10-20 years
Office Furniture	Straight line	5-10 years

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of transport assets with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of transport assets are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

---

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.7 Transport assets (continued)

The gain or loss arising from the derecognition of an item of transport assets is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of transport assets is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

The municipality separately discloses expenditure to repair and maintain transport assets in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

### 1.8 Intangible assets

#### Initial recognition

An intangible asset is an identifiable non-monetary asset without physical substance. Examples include computer software, licences, and development costs. The municipality recognises an intangible asset in its Statement of Financial Position only when it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality and the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

Where an intangible asset has been acquired at no or for a nominal cost, its cost is its fair value on the date of acquisition...

Where an intangible asset is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

#### Subsequent measurement - cost model

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test and the useful life is reviewed at each reporting date, and if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

#### Amortisation and impairment

Amortisation is charged so as to write off the cost or valuation of intangible assets over their estimated useful lives using the straight line method. The annual amortisation rates are based on the following estimated average asset lives:

Item	Useful life
Licenses and franchises	2 -5 years
Computer software, other	5 -10years

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

Each item of intangible asset is amortised separately.

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.8 Intangible assets (continued)

#### De-recognition.

Intangible assets are de-recognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the Statement of Financial Performance.

### 1.9 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An impairment loss of a cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable amount.

An impairment loss of a non-cash-generating asset is the amount by which the carrying amount of an asset exceeds its recoverable service amount.

The municipality separately discloses expenditure to repair and maintain heritage assets in the notes to the financial statements (see note ).

The municipality discloses relevant information relating to assets under construction or development, in the notes to the financial statements (see note ).

#### Initial recognition and measurement

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations

A heritage asset as an asset if:

- a) it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and
- b) the cost or fair value of the asset can be measured reliably.

A heritage asset that qualifies for recognition as an asset is measured at its cost. Where a heritage asset is acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets, whose fair value can be measured reliably, shall be carried at a revalued amount, being its fair value at the date of the revaluation less any subsequent impairment losses. Revaluations shall be made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

If a heritage asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to a revaluation surplus. However, the increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same heritage asset previously recognised in surplus or deficit.

If a heritage asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in surplus or deficit. However, the decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that heritage asset.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.9 Heritage assets (continued)

#### Impairment

A heritage asset shall not be depreciated but the municipality shall assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality shall estimate the recoverable amount or the recoverable service amount of the heritage asset.

#### Derecognition

The carrying amount of a heritage asset shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

### 1.10 Investment property

#### Initial recognition

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Subsequent measurement

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

#### Derecognition

The carrying amount of investment property shall be derecognised:

- (a) on disposal, or
- (b) when no future economic benefits or service potential are expected from its use or disposal.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

The nature OR type of properties classified as held for strategic purposes are as follows:

---

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.11 Inventories

#### Initial recognition

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

#### Subsequent recognition

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are valued at the lower of cost and current replacement cost where they are held for distribution at no charge or for nominal charge. Redundant and slow-moving inventories are identified and written down to the lower of cost or current replacement value. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

The carrying amount of inventories is recognised as an expense in the period that the inventory was sold, distributed, written off or consumed, unless that cost qualifies for capitalisation to the cost of another asset.

Unsold properties are held for own use with the result that it should be carried at the lower of cost or current replacement cost.

#### Cost formula

The cost of inventories is assigned by using the weighted average cost formula.

### 1.12 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of transport assets. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of transport assets includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which a municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- (a) subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- (b) if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- (c) if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.13 Financial instruments

#### Initial recognition

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

#### Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

The municipality classifies its financial assets into the following categories:

- loans and receivables; and
- fair value through profit and loss

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

#### Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

#### Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### Cash and cash equivalents

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.13 Financial instruments (continued)

of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

#### Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.13 Financial instruments (continued)

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

# **MARULENG LOCAL MUNICIPALITY**

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

---

### **1.13 Financial instruments (continued)**

#### **Initial recognition**

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.13 Financial instruments (continued)

Financial instruments are initially measured at fair value, plus, (in the case of financial instruments not at fair value through profit or loss), transaction costs. The fair value of a financial instrument that is initially recognised is normally the transaction price, unless the fair value is evident from the observable market data. The municipality uses a discounted cash flow model which incorporates entity-specific variables to determine the fair value of financial instruments that are not traded in an active market. Differences may arise between the fair value initially recognised in (which in accordance with GRAP 104, is generally the transaction price) and the amount initially determined using the valuation technique. Any such differences are subsequently recognised in profit or loss only to the extent that they relate to a change in the factors (including time) that market participants would consider in setting the price.

#### Subsequent measurement

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

The municipality classifies its financial assets into the following categories:

- loans and receivables; and
- fair value through profit and loss

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

#### Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

#### Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### Cash and cash equivalents

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.13 Financial instruments (continued)

municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

#### Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# **MARULENG LOCAL MUNICIPALITY**

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## **Accounting Policies**

---

### **1.13 Financial instruments (continued)**

#### **Subsequent measurement**

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.13 Financial instruments (continued)

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost ("other"). The subsequent measurement of financial assets and liabilities depends on this categorisation.

The municipality classifies its financial assets into the following categories:

- loans and receivables; and
- fair value through profit and loss

The classification depends on the purpose for which the financial asset is acquired, and is as follows:

Loans and receivables are financial assets that are created by providing money, goods or services directly to a debtor. They are subsequently measured at amortised cost, using the effective interest rate method. Any adjustment is recorded in the Statement of Financial Performance in the period in which it arises.

Fair value through profit and loss financial assets include derivative financial instruments used by the Entity to manage its exposure to fluctuations in interest rates attached to certain of its external borrowings interest swap agreements. Any fair value adjustment is recorded in the Statement of Financial Performance in the period in which it arises. To the extent that a derivative instrument has a maturity period of longer than a year, the fair value of these instruments will be reflected as a non-current asset or liability, and is subsequently measured at fair value at Statement of Financial Position date.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discount) through the expected life of the financial asset, or, where appropriate a shorter period.

#### Trade and other receivables

Trade and other receivables are categorised as financial assets: loans and receivables and are initially recognised at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments.

An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 90 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

#### Trade payables and borrowings

Financial liabilities consist of trade payables and borrowings. They are categorised as financial liabilities held at amortised cost, are initially recognised at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest.

#### Cash and cash equivalents

Cash includes cash on hand and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value. For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The municipality categorises cash and cash equivalents as financial assets: loans and receivables.

Bank overdrafts are recorded based on the facility utilised. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorised as financial liabilities: other financial liabilities carried at amortised cost.

#### Impairment

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.13 Financial instruments (continued)

Financial Performance.

Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognised as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the financial asset.

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

#### Impairment of non-financial assets

An assessment is performed at each Statement of Financial Position date to determine whether objective evidence exists that a financial asset is impaired. The carrying amounts of cash investments are reduced to recognise any decline, other than a temporary decline, in the value of individual investments. This reduction in carrying value is recognised in the Statement of Financial Performance.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired or through the amortisation process.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the entity establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

---

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.13 Financial instruments (continued)

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 1.14 Provisions and contingent liabilities

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.14 Provisions and contingent liabilities (continued)

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus (deficit).

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 40.

The municipality does not recognise a contingent liability. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

A provision for restructuring costs is recognised only when the following criteria over and above the recognition criteria of a provision have been met:

(a) The municipality has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditures that will be undertaken; and
- when the plan will be implemented; and

(b) The municipality has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.15 Leases

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.16 Revenue from exchange transactions

Revenue shall be measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates, VAT and other similar allowances.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Service charges

When the outcome of a transaction involving the rendering services can be estimated reliably, revenue associated with the transaction is recognised by the stage of completion of the transaction at the reporting date. The outcome of the transaction can be estimated reliably when the following are met:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- The amount of the revenue can be measured reliably .

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

#### Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- (a) the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- (b) the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- (c) the amount of revenue can be measured reliably;
- (d) it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- (e) the costs incurred or to be incurred in respect of the transaction can be measured reliably.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.16 Revenue from exchange transactions (continued)

#### Interest

Interest shall be recognised on a time proportionate basis that takes into account the effective interest yield on the asset.

#### Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

The revenue is limited to the amount of any fee or commission payable to the municipality as compensation for executing the agreed services.

Collection charges are recognised when incurred.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.17 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions where the municipality received revenue from another entity without directly giving approximately equal value in exchange. Revenue from non-exchange transactions is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and there is no liability to repay the amount.

#### Rates (including collection charges and penalty interest)

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportionate basis.

Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income.

Assessment rates income is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

#### Fines.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations. Law enforcement officials are able to impose fines on individuals considered to have breached the law. In these cases, the individual will normally have the choice of paying the fine, or going to court to defend the matter, where a defendant reaches an agreement with a prosecutor that includes the payment of penalty instead of being tried in court, the payment is recognised as a fine.

Fines are recognised at the full amount at transaction date. Subsequent to the initial recognition of revenue charged, the fines are assessed for impairment when the accounts fall into arrears.

#### Other revenue.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue from the rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

### 1.18 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.18 Employee benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.18 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the financial statements do not differ materially from the amounts that would be determined at the reporting date.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.18 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measures the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.18 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

### 1.19 Offsetting

Financial assets and liabilities are offset and the net amount reported on the Statement of Financial Position when there is a legally enforcement right to set off the recognised amount, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### 1.20 Compound instruments

Conditional grants, donations and funding are recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in an agreement/ arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Interest earned on the investment is treated in accordance with grant conditions.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.21 Accumulated surplus

A statement of changes in net assets is included in the Annual Financial Statements that discloses the following:

- the effect of changes in accounting policies and correction of errors;
- the balance of retained earnings at the beginning of the period and at the balance sheet date and the changes during the period; and
- a reconciliation between the carrying amount of each class of reserves at the beginning and the end of the period.

### 1.22 Related parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its financial statements.

### 1.23 Changes in accounting policies and estimates and prior year errors

#### Accounting policies

Accounting policies are only changed if required by an accounting standards or interpretation, the change will provide more relevant and reliable information or in terms of the transitional provisions of the new standards.

Accounting policy changes are applied retrospectively, including all comparative periods shown and their opening balances.

#### Change in estimates

The effect of a change in an accounting estimate is recognised prospectively by including it in surplus or deficit in:

- (a) the period of the change, if the change affects that period only; or
- (b) the period of the change and future periods, if the change affects both.

#### Prior period errors

Corrections are made retrospectively in the first set of financial statements authorised for issue after their discovery by:

---

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.23 Changes in accounting policies and estimates and prior year errors (continued)

(a) restating the comparative amounts for the prior period presented in which the error occurred; or

(b) if the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets for the earliest prior period presented.

### 1.24 Impairment of cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets, are as follows:

The extent to which the asset is used for service delivery.

- Buildings (Public buildings)

- Infrastructure (Roads)

- Stormwatert

#### Designation

At initial recognition, the municipality designates an asset as non-cash-generating, or an asset or cash-generating unit as cash-generating. The designation is made on the basis of a municipality's objective of using the asset.

The municipality designates an asset or a cash-generating unit as cash-generating when:

- its objective is to use the asset or a cash-generating unit in a manner that generates a commercial return; such that
- the asset or cash-generating unit will generate positive cash flows, from continuing use and its ultimate disposal, that are expected to be significantly higher than the cost of the asset.

An asset used with the objective of generating a commercial return and service delivery, is designated either as a cash-generating asset or non-cash-generating asset based on whether the municipality expects to use that asset to generate a commercial return. When it is not clear whether the objective is to use the asset to generate commercial return, the municipality designates the asset as a non-cash-generating asset and applies the accounting policy on Impairment of Non-cash-generating assets, rather than this accounting policy.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.24 Impairment of cash-generating assets (continued)

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

#### Basis for estimates of future cash flows

In measuring value in use the municipality:

- base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the asset. Greater weight is given to external evidence;
- base cash flow projections on the most recent approved financial budgets/forecasts, but excludes any estimated future cash inflows or outflows expected to arise from future restructuring's or from improving or enhancing the asset's performance. Projections based on these budgets/forecasts covers a maximum period of five years, unless a longer period can be justified; and
- estimate cash flow projections beyond the period covered by the most recent budgets/forecasts by extrapolating the projections based on the budgets/forecasts using a steady or declining growth rate for subsequent years, unless an increasing rate can be justified. This growth rate does not exceed the long-term average growth rate for the products, industries, or country or countries in which the entity operates, or for the market in which the asset is used, unless a higher rate can be justified.

#### Composition of estimates of future cash flows

Estimates of future cash flows include:

- projections of cash inflows from the continuing use of the asset;
- projections of cash outflows that are necessarily incurred to generate the cash inflows from continuing use of the asset (including cash outflows to prepare the asset for use) and can be directly attributed, or allocated on a reasonable and consistent basis, to the asset; and
- net cash flows, if any, to be received (or paid) for the disposal of the asset at the end of its useful life.

Estimates of future cash flows exclude:

- cash inflows or outflows from financing activities; and
- income tax receipts or payments.

The estimate of net cash flows to be received (or paid) for the disposal of an asset at the end of its useful life is the amount that the municipality expects to obtain from the disposal of the asset in an arm's length transaction between knowledgeable, willing parties, after deducting the estimated costs of disposal.

#### Discount rate

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money, represented by the current risk-free rate of interest and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.24 Impairment of cash-generating assets (continued)

#### Recognition and measurement (individual asset)

If the recoverable amount of a cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Cash-generating units

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.24 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.25 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.25 Impairment of non-cash-generating assets (continued)

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

#### Identification

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the entity also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the current reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an oversized or overcapacity asset. Oversized assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.25 Impairment of non-cash-generating assets (continued)

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### 1.26 Significant judgements and estimates

#### Use of estimates.

The use of accounting estimates is an essential part in the preparation of financial statements. They arise as a result of uncertainties inherent in delivering goods, services and conducting trading activities.

The use of estimates does not undermine the reliability of the information presented as the estimate should be made using the latest available and most reliable information.

As and when the information on which the estimate is based changes, it also becomes necessary to revise the previous estimate. By nature, the revision of an estimate does not have an effect on prior periods and is therefore not a correction of a prior period error. A revision of an accounting estimate won't be seen to be a correction of an error provided the estimate was based on the latest and most reliable information available at the time that the estimate was made. An example of a change in accounting estimate will be the reassessment of the prior period impairment loss based on new information available in the current financial period.

Other provisions

Pension and other employment benefits

Post-employment benefits offered by the entity take the form of defined benefit plans. The cost of defined benefit pension plans, other post-employment medical benefits, and the present value of the pension obligation are determined using actuarial valuations.

An actuarial valuation involves making various assumptions. These include the determination of the discount rate, future salary increases, mortality rates and future pension increases. Due to the complexity of the valuation, the underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each reporting date.

For key actuarial assumptions, refer to Notes 18.

### 1.27 Commitments

Items are classified as commitments when an entity has committed itself to future transactions that will normally result in the outflow of cash.

The notes to the financial statements must disclose the nature and amount of each material individual and each material class of capital expenditure commitment as well as non-cancellable operating leases contracted for at the reporting date.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.27 Commitments (continued)

Commitments for which disclosure is necessary to achieve a fair presentation should be disclosed in a note to the financial statements, if both the following criteria are met:

- Contracts should be non-cancellable or only cancellable at significant cost (for example, contracts for computer or building maintenance services); and
- Contracts should relate to something other than the routine, steady, state business of the entity – therefore salary commitments relating to employment contracts or social security benefit commitments are excluded.

### 1.28 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.29 Borrowing costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

Borrowing costs are recognised as an expense in the period in which they are incurred.

### 1.30 Accounting by principals and agents

#### Identification

An agent is an entity that has been directed by another entity (a principal), through a binding arrangement, to undertake transactions with third parties on behalf of the principal and for the benefit of the principal.

A principal is an entity that directs another entity (an agent), through a binding arrangement, to undertake transactions with third parties on its behalf and for its own benefit.

A principal-agent arrangement results from a binding arrangement in which one entity (an agent), undertakes transactions with third parties on behalf, and for the benefit of, another entity (the principal).

#### Identifying whether an entity is a principal or an agent

When the municipality is party to a principal-agent arrangement, it assesses whether it is the principal or the agent in accounting for revenue, expenses, assets and/or liabilities that result from transactions with third parties undertaken in terms of the arrangement.

The assessment of whether an municipality is a principal or an agent requires the municipality to assess whether the transactions it undertakes with third parties are for the benefit of another entity or for its own benefit.

#### Binding arrangement

The municipality assesses whether it is an agent or a principal by assessing the rights and obligations of the various parties established in the binding arrangement.

Where the terms of a binding arrangement are modified, the parties to the arrangement re-assess whether they act as a principal or an agent.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.30 Accounting by principals and agents (continued)

#### Assessing which entity benefits from the transactions with third parties

When the municipality in a principal-agent arrangement concludes that it undertakes transactions with third parties for the benefit of another entity, then it is the agent. If the municipality concludes that it is not the agent, then it is the principal in the transactions.

The municipality is an agent when, in relation to transactions with third parties, all three of the following criteria are present:

- It does not have the power to determine the significant terms and conditions of the transaction.
- It does not have the ability to use all, or substantially all, of the resources that result from the transaction for its own benefit.
- It is not exposed to variability in the results of the transaction.

Where the municipality has been granted specific powers in terms of legislation to direct the terms and conditions of particular transactions, it is not required to consider the criteria of whether it does not have the power to determine the significant terms and conditions of the transaction, to conclude that it is an agent. The municipality applies judgement in determining whether such powers exist and whether they are relevant in assessing whether the municipality is an agent.

#### Recognition

The municipality, as a principal, recognises revenue and expenses that arise from transactions with third parties in a principal-agent arrangement in accordance with the requirements of the relevant Standards of GRAP.

The municipality, as an agent, recognises only that portion of the revenue and expenses it receives or incurs in executing the transactions on behalf of the principal in accordance with the requirements of the relevant Standards of GRAP.

The municipality recognises assets and liabilities arising from principal-agent arrangements in accordance with the requirements of the relevant Standards of GRAP.

### 1.31 Presentation of budget policy

The following is presented as a note to the Financial Statement:

Last approved and final budget amounts (which includes changes made by management within the prescribed limits), budget and actual amounts on a comparable basis; and explanations of material differences between budget and actual amounts, except where explanations have been included in other documents published in conjunction with the financial statements and cross reference to these documents is made.

### 1.32 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act 56 of 2003). Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.33 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Accounting Policies

---

### 1.33 Irregular expenditure (continued)

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Act (Act 56 of 2003), the Municipal Systems Act (Act 32 of 2000), the Public Office Bearers Act (Act 20 of 1998) or is in contravention of the municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.34 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.35 Events after reporting date

Events that occur after the reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue.

#### Adjusting events

Events that provided additional evidence of the conditions that existed at the end of the reporting period.

#### Non-adjusting events.

Events which are indicative of the conditions that arose after the reporting period.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables through the use of an allowance account, and the amount of the loss is recognised in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off. Subsequent recoveries of amounts previously written off are credited against operating expenses in the Statement of Financial Performance.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.36 Value Added Tax (VAT)

The municipality accounts for Value Added Tax on the cash basis.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

2019

2018

### 2. New standards and interpretations

#### 2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Not expected to impact results but may result in additional disclosure
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unable to reliably estimate the impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unable to reliably estimate the impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

#### 2.2 Standards and Interpretations early adopted

The municipality has chosen to early adopt the following standards and interpretations:

• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Not expected to impact results but may result in additional disclosure
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Not expected to impact results but may result in additional disclosure

#### 2.3 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods:

• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Impact is currently being assessed
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Impact is currently being assessed
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2019	Impact is currently being assessed
• GRAP 104 (revised): Financial Instruments	01 April 2019	Impact is currently being assessed
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

---

### 2.4 Standards and interpretations not yet effective or relevant

The following standards and interpretations have been published and are mandatory for the municipality's accounting periods beginning on or after 01 July 2019 or later periods but are not relevant to its operations:

• GRAP 34: Separate Financial Statements	01 April 2020	Unlikely there will be a material impact
• IGRAP 1 (revised): Applying the Probability Test on Initial Recognition of Revenue	01 April 2020	Unlikely there will be a material impact
• IGRAP 20: Accounting for Adjustments to Revenue	01 April 2020	Unlikely there will be a material impact
• Directive 7 (revised): The Application of Deemed Cost	01 April 2019	Unlikely there will be a material impact
• Guideline: Guideline on Accounting for Landfill Sites	01 April 2009	Unlikely there will be a material impact
• Guideline: Guideline on the Application of Materiality to Financial Statements	01 April 2009	Unlikely there will be a material impact
• Directive 13: Transitional Provisions for the Adoption of Standards of GRAP by Community Education and Training (CET) Colleges	01 April 2019	Unlikely there will be a material impact
• GRAP 104 (revised): Financial Instruments	01 April 2009	Unlikely there will be a material impact
• GRAP 35: Consolidated Financial Statements	01 April 2020	Unlikely there will be a material impact
• GRAP 36: Investments in Associates and Joint Ventures	01 April 2020	Unlikely there will be a material impact
• GRAP 37: Joint Arrangements	01 April 2020	Unlikely there will be a material impact
• GRAP 38: Disclosure of Interests in Other Entities	01 April 2020	Unlikely there will be a material impact
• Guideline: Accounting for Arrangements Undertaken i.t.o the National Housing Programme	01 April 2019	Unlikely there will be a material impact
• GRAP 110 (as amended 2016): Living and Non-living Resources	01 April 2020	Unlikely there will be a material impact
• GRAP 6 (as revised 2010): Consolidated and Separate Financial Statements	01 April 2019	Unlikely there will be a material impact
• GRAP 7 (as revised 2010): Investments in Associates	01 April 2019	Unlikely there will be a material impact
• GRAP 8 (as revised 2010): Interests in Joint Ventures	01 April 2019	Unlikely there will be a material impact
• GRAP 18 (as amended 2016): Segment Reporting	01 April 2019	Unlikely there will be a material impact
• GRAP 20: Related parties	01 April 2019	Unlikely there will be a material impact
• GRAP 32: Service Concession Arrangements: Grantor	01 April 2019	Unlikely there will be a material impact
• GRAP 105: Transfers of functions between entities under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 106 (as amended 2016): Transfers of functions between entities not under common control	01 April 2019	Unlikely there will be a material impact
• GRAP 107: Mergers	01 April 2019	Unlikely there will be a material impact
• GRAP 108: Statutory Receivables	01 April 2019	Unlikely there will be a material impact
• GRAP 109: Accounting by Principals and Agents	01 April 2019	Unlikely there will be a material impact
• IGRAP 11: Consolidation – Special purpose entities	01 April 2019	Unlikely there will be a material impact
• IGRAP 12: Jointly controlled entities – Non-monetary contributions by ventures	01 April 2019	Unlikely there will be a material impact
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	01 April 2019	Unlikely there will be a material impact

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

• IGRAP 18: Interpretation of the Standard of GRAP on Recognition and Derecognition of Land	01 April 2019	Unlikely there will be a material impact
• IGRAP 19: Liabilities to Pay Levies	01 April 2019	Unlikely there will be a material impact
• GRAP 12 (as amended 2016): Inventories	01 April 2018	Unlikely there will be a material impact
• GRAP 16 (as amended 2016): Investment Property	01 April 2018	Unlikely there will be a material impact
• GRAP 17 (as amended 2016): Property, Plant and Equipment	01 April 2018	Unlikely there will be a material impact
• GRAP 21 (as amended 2016): Impairment of non-cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 26 (as amended 2016): Impairment of cash-generating assets	01 April 2018	Unlikely there will be a material impact
• GRAP 27 (as amended 2016): Agriculture	01 April 2018	Unlikely there will be a material impact
• GRAP 31 (as amended 2016): Intangible Assets	01 April 2018	Unlikely there will be a material impact
• GRAP 103 (as amended 2016): Heritage Assets	01 April 2018	Unlikely there will be a material impact
• Directive 12: The Selection of an Appropriate Reporting Framework by Public Entities	01 April 2018	Unlikely there will be a material impact

### 3. Inventories

Raw materials, components	47 774	162 002
---------------------------	--------	---------

#### 3.1 Movement for inventories

Stationery	14 526	14 221
Consumables	(3 795)	(6 844)
Maintenance - Building material	(124 959)	127 459
	<b>(114 228)</b>	<b>134 836</b>

Held for own use with the aim that it should be carried at the lower of cost or current replacement cost. Inventory has not been pledged as security for liabilities.

### 4. Receivables from exchange transactions

Trade debtors - Refuse / waste management	1 854 313	1 868 275
Less: Provision for Doubtful Debts	(10 392 745)	(6 049 743)
Other debtors - sundry debtors	11 701 890	7 038 932
	<b>3 163 458</b>	<b>2 857 464</b>

#### Aged debtors

Refuse and other	2019	2018
Current (0 - 30 days)	1 296 025	1 097 128
31 - 60 days	1 162 137	248 959
61 - 90 days	972 588	684 603
91 - 120 days	797 399	698 391
120 days +	9 281 693	6 129 978
	<b>13 509 842</b>	<b>8 859 059</b>

Receivables from exchange transactions at 30/06/2018: R R8 859 059 (30/06/2016: R4 538 679).

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>Reconciliation of provision for impairment of trade and other receivables</b>		
Opening balance	6 049 743	3 941 662
Provision for impairment	4 343 002	2 108 081
	<b>10 392 745</b>	<b>6 049 743</b>

### 5. Receivables from non-exchange transactions

Fines	3 458 575	2 919 845
Consumer debtors	90 752 271	68 892 544
Provision for Impairment - Debtors for rates and traffic fines	(76 510 365)	(54 713 636)
	<b>17 700 481</b>	<b>17 098 753</b>

#### Debtors for rates and traffic fines

Rates	90 752 271	68 892 544
Less: Provision for debt impairment	(74 013 904)	(52 559 498)
	<b>16 738 367</b>	<b>16 333 046</b>

Debtors for traffic fines	3 458 575	2 919 845
Less : Provision for debt impairment	(2 496 460)	(2 154 138)
	<b>962 115</b>	<b>765 707</b>

#### Debtors ageing

##### Rates

Current ( 0 - 30 days)	4 589 598	7 262 731
31 - 60 days	4 191 783	3 962 104
61 - 90 days	3 617 470	3 164 679
91 - 120 days	3 295 011	2 968 791
120 days +	75 058 409	51 534 239
Sub-total (rates)	90 752 271	68 892 544
Traffic fines	3 458 575	2 919 845
	<b>94 210 846</b>	<b>71 812 389</b>

Receivables from non-exchange transactions at was R 97 671 710 for 30 June 2019 and R 71 843 417 on 30 June 2018.

#### Summary of debtors.

##### Summary of debtors by customers classification:

##### Rates, traffic, refuse & other

	Consumers	Industrial Commercial	Government	Total
Current (0 -30 days)	- 2 585 068	2 942 760	1 893 452	7 421 280
31 - 60 days	- 1 388 056	1 981 709	1 692 945	5 062 710
61 - 90 days	- 1 183 744	1 764 430	1 551 139	4 499 313
91- 120 days	- 967 845	1 581 913	1 460 504	4 010 262
120 days +	- 18 997 568	37 502 881	27 678 687	84 179 136
Subtotal (aged debtors)	- 25 122 281	45 773 693	34 276 727	105 172 701
Traffic fines (not aged)	-	-	-	3 458 575
	<b>- 25 122 281</b>	<b>45 773 693</b>	<b>34 276 727</b>	<b>108 631 276</b>

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>Reconciliation of debt impairment provision</b>		
Balance at the beginning of the year	60 763 349	52 517 970
Adjustments to provision	<u>26 139 730</u>	<u>8 245 409</u>
	86 903 079	60 763 349
Balance at the end of the year	<u>(86 903 079)</u>	<u>(60 763 349)</u>
	-	-
<b>Rates, traffic fines, refuse &amp; other</b>		
Balance at the beginning of the year	(60 763 379)	(52 517 940)
Adjustments to provision:		
Refuse & other	(4 343 002)	(2 108 081)
Rates	(21 454 406)	(6 615 855)
Traffic fines	(342 322)	478 527
	<u>(86 903 109)</u>	<u>(60 763 349)</u>
<b>Consists of:</b>		
Refuse & other	(6 049 743)	(6 049 743)
Rates	(52 559 498)	(52 559 498)
Traffic fines	(2 496 460)	(2 154 138)
	<u>(61 105 701)</u>	<u>(60 763 379)</u>

The amount for the provision as at 30 June 2019 was R 61 105 701 and on 30 June 2018 was R 60 763 379

In light with the accounting policy of Maruleng Municipality on account receivables, a provision is made on accounts which are overdue for more than 90 days. Based on the debtor's ageing analysis above, an average of 73% is noted on accounts which are overdue in the previous three years which indicates the significant backlog of recoverability of outstanding debtors that falls due for over 90 days and therefore the provision made based on 90 days plus benchmark appears to be reasonable.

### 6. VAT receivable

<b>VAT</b>	<b>9 505 309</b>	<b>12 877 495</b>
------------	------------------	-------------------

VAT is accounted for on cash basis.

### 7. Other debtors

Other Debtors	2 291 963	1 363 251
---------------	-----------	-----------

#### Inter-municipal receivables

Gross debtors	25 729 186	24 003 740
Provision for debt impairment	(25 729 186)	(24 003 740)
	-	-

Reconciliation of debt impairment provision

#### Inter-municipal debtors

Balance at the beginning of the year	(24 003 740)	(23 474 748)
Adjustments to provision	(1 725 446)	(528 992)
	<u>(25 729 186)</u>	<u>(24 003 740)</u>

### 8. Cash and cash equivalents

Cash and cash equivalents consist of:

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
Cash on floats	710	710
Bank balances	16 420 366	23 469 057
Call deposits	121 471 649	108 400 139
	<b>137 892 725</b>	<b>131 869 906</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2019	30 June 2018	30 June 2017	30 June 2019	30 June 2018	30 June 2017
Current account (primary bank account) - Standard Bank Hoedspruit Branch : Account Number 033355487	15 196 956	23 975 116	9 795 733	16 420 365	23 469 057	9 793 594
Standard Bank Account: Call deposit Account - Account number: 038579111-02 Bank statement balance at the beginning of the period	87 814 368	76 745 655	71 894 990	87 814 368	76 745 655	71 894 990
Investec Bank Account: 32 days notice account - Account number 1100464721500 Bank statement balance at the beginning of the period	33 657 281	31 654 483	29 756 466	33 657 281	31 654 483	29 756 466
<b>Total</b>	<b>136 668 605</b>	<b>132 375 254</b>	<b>111 447 189</b>	<b>137 892 014</b>	<b>131 869 195</b>	<b>111 445 050</b>

### 9. Investment property

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	8 950 000	-	8 950 000	6 796 836	-	6 796 836

### Reconciliation of investment property - June 2019

	Opening balance	Fair value adjustments	Total
Investment property	6 796 836	2 153 164	8 950 000

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

---

Figures in Rand	2019	2018
-----------------	------	------

---

### Reconciliation of investment property - June 2018

	Opening balance	Total
Investment property	6 796 836	6 796 836

---

Investment property is valued at fair value as at 30 June 2019.

The investment property relates to property on land owned by the municipality.

#### Valuation details.

The effective date of the valuation was 30 June 2019.

The valuation was performed by an independent valuer, Mr T Madonsela, who is not connected to the municipality and has experience and knowledge regarding the location and category of the property being valued.

The valuation was based on open market value for existing use.

The assumptions used to arrive at the fair values were based on current market conditions.

#### Pledged as security

During the financial period ended 30 June 2019, no components of investment property were pledged as security for borrowings or banking facilities.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

### 10. Property plant and equipment

	2019			2018		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Land	20 872 000	-	20 872 000	20 871 999	-	20 871 999
Plant and machinery	3 970 307	(588 242)	3 382 065	1 038 810	(524 543)	514 267
Furniture and fixtures	5 194 898	(3 240 420)	1 954 478	5 335 326	(3 697 996)	1 637 330
Transport assets	11 841 251	(4 962 694)	6 878 557	7 846 668	(2 881 635)	4 965 033
Computer equipment	8 713 647	(3 543 846)	5 169 801	3 129 978	(2 204 938)	925 040
Infrastructure - roads	182 259 767	(27 444 991)	154 814 776	127 379 083	(21 546 774)	105 832 309
Community assets	227 162 863	(99 776 932)	127 385 931	226 360 238	(89 553 762)	136 806 476
WIP - Infrastructure	133 120 523	-	133 120 523	105 496 317	-	105 496 317
Electrical infrastructure	10 732 274	(9 565 118)	1 167 156	11 008 589	(9 400 396)	1 608 193
Other assets	96 813	(87 784)	9 029	96 813	(77 475)	19 338
Solid waste infrastructure	552 410	(477 761)	74 649	552 410	(456 433)	95 977
Storm water infrastructure	16 854 820	(1 904 811)	14 950 009	16 854 820	(1 343 986)	15 510 834
<b>Total</b>	<b>621 371 573</b>	<b>(151 592 599)</b>	<b>469 778 974</b>	<b>525 971 051</b>	<b>(131 687 938)</b>	<b>394 283 113</b>

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

### Reconciliation of property, plant and equipment - June 2019

	Opening balance	Additions	Additions through transfer of functions / mergers	Disposals	Transfers received	Foreign exchange movements	Depreciation	Impairment loss	Total
Land	20 872 000	-	-	-	-	-	-	-	20 872 000
Plant and machinery	514 267	3 015 440	-	(11 521)	-	-	(111 466)	(24 655)	3 382 065
Furniture and fixtures	1 637 330	993 854	-	(72 166)	-	-	(421 898)	(182 642)	1 954 478
Transport assets	4 965 033	3 994 583	-	-	-	-	(1 317 339)	(763 720)	6 878 557
Computer equipment	925 040	5 697 056	-	(29 871)	-	-	(1 382 857)	(39 312)	5 169 801
Infrastructure - roads	105 832 309	-	-	-	54 880 685	-	(4 713 186)	(1 185 032)	154 814 776
Community assets	136 806 476	1 292 951	-	(171 614)	-	-	(10 541 882)	-	127 385 931
WIP - Infrastructure	105 496 317	82 504 891	-	-	(54 880 685)	-	-	-	133 120 523
Electrical infrastructure	1 608 193	-	-	(57 900)	-	-	(378 252)	(4 885)	1 167 156
Other assets	19 338	-	-	-	-	-	(8 538)	(1 771)	9 029
Solid waste infrastructure	95 977	-	-	-	-	-	(21 328)	-	74 649
Storm water infrastructure	15 510 834	-	-	-	-	-	(287 313)	(273 512)	14 950 009
	<b>394 283 114</b>	<b>97 498 775</b>	<b>-</b>	<b>(343 072)</b>	<b>-</b>	<b>-</b>	<b>(19 184 059)</b>	<b>(2 475 529)</b>	<b>469 778 974</b>

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

### Reconciliation of property, plant and equipment - June 2018

	Opening balance	Additions	Disposals	Transfers	Revaluations	Depreciation	Impairment loss	Total
Land	20 871 999	-	-	-	-	-	-	20 871 999
Plant and machinery	695 786	32 478	-	-	-	(181 596)	(32 401)	514 267
Furniture and fixtures	1 472 601	863 782	-	-	-	(675 629)	(23 424)	1 637 330
Transport assets	5 772 803	-	-	-	-	(807 770)	-	4 965 033
Computer equipment	1 246 270	136 762	-	-	-	(455 382)	(2 610)	925 040
Infrastructure - roads	84 336 037	29 100	(2 347)	23 015 273	1 502 941	(3 048 695)	-	105 832 309
Community assets	133 542 593	-	-	18 365 595	-	(10 727 750)	(4 373 962)	136 806 476
WIP - Infrastructure	68 899 815	82 030 639	-	(45 434 137)	-	-	-	105 496 317
Electrical infrastructure	2 376 215	-	(156 802)	-	-	(611 220)	-	1 608 193
Other assets	66 929	-	-	-	-	(20 691)	(26 900)	19 338
Solid Waste Infrastructure	134 262	-	-	-	-	(38 285)	-	95 977
Storm water Infrastructure	11 710 225	-	-	4 053 269	-	(252 660)	-	15 510 834
	<b>331 125 535</b>	<b>83 092 761</b>	<b>(159 149)</b>	<b>-</b>	<b>1 502 941</b>	<b>(16 819 678)</b>	<b>(4 459 297)</b>	<b>394 283 113</b>

Land was fair valued on 30 June 2016.

### Valuation details.

The effective date of the valuations remains 30 June 2016.

The valuation was performed by an independent valuer, Hangwani Petrus Matildza, who is not connected to the municipality and has experience and knowledge regarding the location and category of the property being valued. The valuation was based on open market value for existing use. All assumptions used to arrive at the fair values were based on current market conditions. The Council policy is to revalue every four years.

### Pledged as security

During the financial year ended 30 June 2019, no components of property, plant and equipment were pledged as security for borrowings or banking facilities.

The municipality is initiating a process of engaging the private occupier in erf 196 to enter into a new arrangement. The land was leased to the private occupier pre 1994 at 99c per annum.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

2019

2018

### Other information

Property, plant and equipment fully depreciated and still in use (Gross carrying amount)	Number of assets	Residual Value
Furniture and office equipment	54	6 558
Machinery and equipment	8	6 539
Transport assets	5	380 249
	<b>67</b>	<b>393 346</b>

### 11. Intangible assets

	2019			2018		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	1 084 089	(785 795)	298 294	1 084 089	(636 622)	447 467

#### Reconciliation of intangible assets - June 2019

	Opening balance	Additions	Amortisation	Total
Computer software	447 467	-	(149 173)	298 294

#### Reconciliation of intangible assets - June 2018

	Opening balance	Amortisation	Total
Computer software	616 792	(169 325)	447 467

### Pledged as security

During the financial period ended 30 June 2019, no components of intangible assets were pledged as security for borrowings or banking facilities.

### 12. Heritage assets

	2019			2018		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Heritage assets	372 500	-	372 500	222 000	-	222 000

#### Reconciliation of heritage assets - June 2019

	Opening balance	Revaluation increase/(decrease)	Total
Heritage assets	222 000	150 500	372 500

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>13. Finance lease obligation</b>		
Leases	1 233 708	-
	-	-
	<b>1 233 708</b>	-
<b>Minimum lease payments due</b>		
- within one year	1 233 708	-
- in second to fifth year inclusive	3 471 503	-
	4 705 211	-
less: future finance charges	(759 737)	-
<b>Present value of minimum lease payments</b>	<b>3 945 474</b>	-
Within one year	1 233 708	-
Within two to five years	3 471 503	-
	<b>4 705 211</b>	-
<b>14. Payables from exchange transactions *Restated</b>		
Trade creditors	50 098	310 392
Accruals	10 793 792	4 863 931
Retentions	16 589 073	14 152 127
Unknown deposits	2 602 326	2 145 474
Operating lease - deferred liability	26 844	-
	<b>30 062 133</b>	<b>21 471 924</b>
<b>15. Trade and other payables from non exchange transactions</b>		
Refunds arising from non-exchange revenue	-	79 003
Amounts received in advance - Consumer debtors	4 409 585	4 942 186
Trade and other payables	1 067 192	1 424 209
	<b>5 476 777</b>	<b>6 445 398</b>
<b>16. Employee benefit obligations Short term</b>		
The total amounts recognised in the statement of financial position are as follows:		
Leave provision	6 980 485	5 185 528
Bonus provision	1 218 017	1 239 513
Provision for performance bonuses	626 057	611 464
	<b>8 824 559</b>	<b>7 036 505</b>
Performance bonuses are paid one year in arrears as the assessment of eligible employees takes place after the reporting date. The performance bonuses are only applicable to directors. In order to qualify for a performance bonus, an employee must have been employed for a minimum period of twelve months.		
<b>17. Unspent conditional grants and receipts</b>		
<b>Conditional Grants from other spheres of government</b>		
	2019	2018
Municipal Infrastructure Grant	4 919	98
Expanded Public Works Programme Grant	192	192
	<b>5 111</b>	<b>290</b>

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

---

Figures in Rand

2019

2018

---

This highlights the nature and extent of the government grants recognised in the financial statements, indication of the other forms of government assistance from which the municipality has directly benefited, unfulfilled conditions and other contingencies attaching to government assistance that has been recognised. See note 27 for the reconciliation of grants from other spheres of government. These amounts are invested in a ring-fenced investment until utilised.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

---

Figures in Rand	2019	2018
-----------------	------	------

---

### 18. Provisions - Employee benefit obligation

<b>Amounts recognised in the statement of financial position are as follows:</b>	2019	2018
Long service awards	3 041 912	3 293 859
Post employment medical aid	7 934 785	6 879 809
	<b>10 976 697</b>	<b>10 173 668</b>

---

Long service awards.

Long service awards relate to the legal obligation to provide long service leave awards.

Actuarial benefits has been performed on all 150 employees as at 30 June 2019 that are entitled to long services awards. The long service awards liability is not a funded arrangement, i.e no separate assets have been set aside to meet this liability.

Maruleng offers bonuses every five years of completed services from 10 years to 45 years.

The unfunded accrual liability at the valuation date is R3 047 575 (2018 - R3 293 859).

<b>The amount recognised in the statement of financial position is as follows:</b>	2019	2018
<b>Carrying value</b>		
Present value of the defined benefit obligation-wholly unfunded	3 047 575	3 293 859

---

<b>Change in the present value of the defined benefit obligation are as follows:</b>	2019	2018
Opening accrued liability	3 293 859	2 780 932
Current service cost	296 857	333 505
Interest cost	286 518	228 497
Actuarial gains/losses	(489 829)	235 156
Expected contributions (benefits paid)	(345 493)	(284 231)
	<b>3 041 912</b>	<b>3 293 859</b>

---

<b>Calculation of actuarial gains and losses</b>	2019	2018
Actuarial losses/ (gains) - obligation	(489 829)	235 156

---

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
-----------------	------	------

### Key assumptions used

#### Assumption used at the reporting date

Discount rates used	8.66%	9.18%
General salary inflation	5.77%	6.73%
Net discount rate	2.73%	2.30%
Normal retirement age	63	63

### Post employment medical aid

An actuarial valuation has been performed in respect of post-employment medical benefits which employees may become entitled to after retirement.

The employee post employment health care liability consists of the commitment to pay a portion of the Pensioners Medical Scheme contributions. This liability is also generated in respect of dependents who are offered continued membership of the medical schemes after the death of the pensioner.

### A summary of assumptions was provided to the municipality.

The medical aid contribution is an actuarial calculation which was performed by ONE Pangaea, an actuarial consulting company specialising in the valuation of employee benefit liabilities for accounting disclosure purposes. Currently there are no pensioners being subsidised for medical aid contributions hence no benefits payment

### The amount recognised in the statement of financial position is as follows:

#### Carrying value

Present value of the defined benefit obligation- wholly unfunded	7 934 785	6 879 809
--	-----------	-----------

### Change in the present value of the defined benefit obligation are as follows:

Opening accrued liability	6 879 809	5 304 603
Current service cost	796 803	596 420
Interest cost	732 699	535 377
Actuarial gains and losses	(474 526)	443 409
	<b>7 934 785</b>	<b>6 879 809</b>

### Calculation of actuarial gains and losses

Actuarial gains/ (losses)	(474 526)	443 409
---------------------------	-----------	---------

### Key assumptions used

#### Assumption used at the reporting date

Discount rates used	11.32%	10.65%
Net discount rate	2.54%	2.13%
Health care cost inflation	8.56%	8.34%
Consumer cost inflation	7.06%	6.84%

### 19. Agency fees

	2019	2018
Gross receipts from vehicle licensing	10 616 318	10 281 103
Transfers to Department of Roads and Transport	(8 838 601)	(8 348 824)
	<b>1 777 717</b>	<b>1 932 279</b>

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
Agency fees from Mopani District Municipality	2019 163 137	2018 197 514
Gross total	2019 1 940 855	2018 2 129 794
<b>20. Finance income</b>		
<b>Interest revenue</b>		
Interest receivables - external investments	8 071 510	6 748 684
Interest charged on trade and other receivables	6 187 882	3 536 984
	<b>14 259 392</b>	<b>10 285 668</b>
<b>21. Licences and permits</b>		
Traffic learners and drivers' licences	2 716 240	2 490 110
<b>22. Lease rentals on operating lease</b>		
<b>Equipment</b>		
Contractual amounts	96 188	-
<b>23. Other revenue</b>		
Building inspection fee	212 211	279 417
Building plans	677 889	1 333 129
Library fines	2 275	694
Library membership fees	4 615	4 670
Membership fees	30 562	39 751
Clearance certificates	261 245	345 874
Handling fees	-	49 217
Rezoning	118 000	149 779
Signboards, adverts etc	22 924	42 003
Site development	-	32 163
Tender documents	348 089	134 400
Town planning fees	-	976
Trading licence fees	1 497	1 282
Valuation certificates	5 396	7 407
Zoning certificates	1 912	6 223
	<b>1 686 615</b>	<b>2 426 985</b>
<b>24. Service charges</b>		
Refuse removal	3 497 886	3 150 246

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

---

Figures in Rand	2019	2018
-----------------	------	------

---

### 25. Property rates

#### Rates received

Property rates	92 157 510	82 364 883
Less: Income forgone	(15 104 706)	(12 095 452)
	<b>77 052 804</b>	<b>70 269 431</b>

---

#### Valuations

Residential	3 056 042 875	3 338 155 689
Commercial	794 387 212	524 466 700
State	620 509 000	540 362 000
Agricultural	6 246 808 303	5 390 872 105
Other	595 274 209	656 490 530
	<b>11 313 021 599</b>	<b>10 450 347 024</b>

---

The current valuation roll was implemented with effect from 01 July 2012 for the period up to 30 June 2017. Supplementary valuations created additional billing and resulted in an increase of revenue due to the conducting and implementation supplementary valuations. The municipality implemented the supplementary general valuation roll for the period ended 30 June 2016 which led to an increase of debtors book and increase in billing for property rates. The implementation of a new general valuation roll was performed for the 2017/18 financial period.

### 26. Traffic fines

Traffic fines	610 071	398 600
---------------	---------	---------

---

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>27. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	109 416 192	99 298 000
Financial Management Grant (FMG)	1 900 000	1 900 000
Expanded Public Works Programme (EPWP)	1 169 000	1 123 808
	<b>112 485 192</b>	<b>102 321 808</b>
<b>Capital grants</b>		
Municipal Infrastructure Grant	41 332 179	27 222 902
	<b>153 817 371</b>	<b>129 544 710</b>

### Equitable Share

In terms of the Constitution, this is an unconditional grant used to subsidise the provision of basic services to indigent community members.

Current-year receipts	109 126 000	99 298 000
Conditions met - transferred to revenue	(109 126 000)	(99 298 000)
<b>Unspent amount transferred to liabilities</b>	<b>-</b>	<b>-</b>

The purpose of the grant is for institutional systems. No funds were withheld or delayed.

### Finance Management Grant

Current-year receipts	1 900 000	1 900 000
Conditions met - transferred to revenue	(1 900 000)	(1 900 000)
<b>Unspent amount transferred to liabilities</b>	<b>-</b>	<b>-</b>

(See note 17).

This grant was used to promote and support reforms to municipal financial management and the implementation of the MFMA, 2003. The conditions of the grant were met.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>Expanded Public Works Programme Grant</b>		
Balance unspent at beginning of year	192	-
Current-year receipts	1 169 000	1 124 000
Conditions met - transferred to revenue	(1 168 999)	(1 123 808)
<b>Unspent amount transferred to liabilities</b>	<b>193</b>	<b>192</b>

(See note 17).

This grant is used to provide skills and temporary work to unemployed people.

### **Municipal Infrastructure Grant (MIG)**

Balance unspent at beginning of financial year	98	-
Current year receipts	41 337 000	27 223 000
Conditions met - transferred to revenue	(41 332 179)	(27 222 902)
<b>Balance unspent at beginning of financial year</b>	<b>4 919</b>	<b>98</b>

(See note 17)

This grant was used to construct the municipal infrastructure to provide basic services for the benefits of the households within the municipality's jurisdiction. The conditions of the grant were met. No funds have been withheld by National Treasury on grounds of failure to meet grant conditions.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>28. Employee related costs</b>		
Employee related costs - Salaries and wages	46 041 214	39 500 713
Employee related costs - social contributions	10 365 255	9 899 368
Travel, motor car, accommodation, subsistence and other allowances	4 762 864	4 224 691
Long-service awards	291 194	779 861
Housing benefits and allowances	961 900	720 271
Post retirement benefits	796 803	1 575 206
	<b>63 219 230</b>	<b>56 700 110</b>

### Municipal Manager

Annual Remuneration	-	424 718
Performance Bonuses	-	230 704
Contributions to UIF, Medical and Pension Funds	-	119 509
Other	-	78 460
	-	<b>853 391</b>

The post of Accounting officer was acted by three officials during the year under review, (Ms Mokonyana L, Mr KV Sithole and Mr MC Machubene). The position of accounting officer was vacant from July 2018.

### Remuneration of Chief Financial Officer

Ms F Sekgobela was appointed as the acting Chief Financial Officer from 1 July 2017 to date and her acting allowance was R 9 987.74.

### Director: Technical Services

Annual Remuneration	503 715	-
Travel and other allowances	231 133	-
Contributions to UIF, medical and Pension Funds	1 260	-
	<b>736 108</b>	-

### Director: Community Services

Annual Remuneration	437 418	784 560
Car Allowance	133 156	130 827
Payments in lieu of leave	211 792	-
Travel and other allowances	175 943	95 641
Contributions to UIF, medical and Pension Funds	96 019	182 096
	<b>1 054 328</b>	<b>1 193 124</b>

### Director: Spatial Development and Planning

Annual Remuneration	541 378	631 258
Car Allowance	154 374	152 942
Travel and other allowances	155 083	227 626
Contributions to UIF, medical and Pension Funds	89 581	187 942
	<b>940 416</b>	<b>1 199 768</b>

### Director: Corporate Services

Annual Remuneration	439 287	-
Contributions to UIF, Medical and Pension Funds	85 657	-
Travel and other allowances	224 695	-
	<b>749 639</b>	-

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand 2019 2018

### 29. Remuneration of councillors

#### Remuneration of councillors

Mayor	867 611	836 713
Speaker	689 814	680 983
Executive Committee members	2 326 431	2 287 026
Councillors part time	5 705 265	5 560 863
Councillors full time	983 593	1 001 778
	<b>10 572 714</b>	<b>10 367 363</b>

Councillors are classified based on their respective positions as at 30 June 2019 or the last day of service, as the case may be.

The Mayor, Speaker and three councillors are full time. Each is provided with an office and secretarial support at the cost of Council.

The Mayor has access to a municipal vehicle for official duties and is allocated a municipal house that can also be used to entertain official guests.

### 30. Depreciation and amortisation

Transport assets	1 317 340	807 770
Electrical infrastructure	378 178	455 134
Machinery and Equipment	111 296	181 596
Furniture and Office Equipment	412 521	675 629
Computer Equipment	1 381 770	455 381
Roads Infrastructure	4 713 186	3 011 744
Storm water Infrastructure	287 313	252 660
Community Assets	10 541 882	10 727 751
Other assets	8 538	20 691
Solid Waste Infrastructure	21 328	38 285
Intangible assets	149 173	169 325
	<b>19 322 525</b>	<b>16 795 966</b>

### 31. Impairment loss

#### Impairments

Transport assets	763 720	4 373 962
Machinery and Equipment	24 655	32 401
Library books	1 771	26 900
Computer Equipment	39 312	2 610
Furniture and office equipment	182 642	23 424
Electrical infrastructure	4 885	-
Roads infrastructure	1 185 032	-
Storm water infrastructure	273 512	-
	<b>2 475 529</b>	<b>4 459 297</b>

### 32. Finance costs

Finance leases	226 555	25 165
Other interest paid	1 019 217	-
	<b>1 245 772</b>	<b>25 165</b>

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>33. General expenses</b>		
Compensation Commissioner	402 908	349 468
Advertising	226 597	343 507
Audit fees	4 484 135	3 373 397
Bank charges	281 725	225 217
Computer expenses	39 300	25 950
Legal expenses	2 376 573	486 447
Free basic electricity	332 118	368 594
Insurance	1 084 088	372 467
Functions and events	5 419 635	2 429 058
Fuel and oil	1 609 249	994 173
Printing and stationery	1 189 691	968 445
Protective clothing	658 551	159 968
Repairs and maintenance	2 473 609	1 026 186
Refreshment	80 414	13 900
Subsistence, travel & accomodation	11 437 990	7 960 639
Training	755 957	752 513
Telephone & cellphone costs	803 649	582 741
Electricity - Utilities	2 575 605	2 658 267
Internal Audit	512 873	269 041
Membership fees	821 096	779 374
Stores and material	442 449	197 402
Ward committes	3 063 189	2 956 956
EPWP	-	860 209
Professional fees	11 161 271	12 910 405
Bursary Fund	135 510	293 727
Other expenses	917 151	763 656
	<b>53 285 333</b>	<b>42 121 707</b>
<b>34. Loss on disposal of assets</b>		
<b>Loss on disposal of assests</b>		
Porperty, plant and equipment	332 769	159 149
<b>35. Cash generated from operations</b>		
Surplus	67 100 471	73 227 181
<b>Adjustments for:</b>		
Depreciation and amortisation	19 333 232	16 989 003
Gain on sale of assets and liabilities	343 074	-
Fair value adjustments	(2 303 664)	-
Impairment deficit	2 475 530	4 459 298
Debt impairment	27 865 176	-
Movements in retirement benefit assets and liabilities	1 788 054	1 337 552
Movements in provisions	803 029	2 591 083
Finance cost - employee benefit obligation	(1 019 217)	(1 341 273)
Actuarial gains/(losses)	(964 355)	-
Movemenet in employee benefit liability	1 983 589	-
<b>Changes in working capital:</b>		
Inventories	114 228	(305 994)
Receivables from exchange transactions	(1 577 028)	(2 260 447)
Other receivables from non-exchange transactions	(28 124 582)	(9 976 053)
Other asset	-	(1 003 741)
Payables from exchange transactions *Restated	8 590 208	4 956 675
VAT	3 372 186	14 130 098
Taxes and transfers payable (non exchange)	(968 621)	1 057 299
Unspent conditional grants and receipts	4 822	290
	<b>98 816 132</b>	<b>103 860 971</b>

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>36. Additional disclosures in terms of Section 125 of Municipal Finance</b>		
<b>Contribution to SALGA</b>		
Council membership fees payable	821 096	768 318
Amount paid current year	(821 096)	(768 318)
	-	-
<b>Audit fees</b>		
Current year audit fee	4 484 135	3 373 397
Amount paid current year	(4 484 135)	(3 373 397)
	-	-
<b>PAYE &amp; UIF</b>		
Current payroll deductions	10 559 313	9 106 305
Amount paid current year	(10 559 313)	(9 106 305)
	-	-
<b>Pension and Medical Aid Deductions</b>		
Current payroll deductions	10 254 235	8 876 058
Amount paid current year	(10 254 235)	(8 876 058)
	-	-

### VAT

VAT is accounted for on the cash basis. VAT input receivables and VAT output receivable are shown in note 6. All VAT returns have been submitted throughout the year.

### 37. Councillor's arrears consumer accounts

Councillors do not have services and rates accounts to the municipality.

### 38. Commitments

#### Commitments in respect of capital and current expenditure

##### Approved and contracted for:

Current	49 765 462	27 806 961
Capital	228 927 817	105 055 117
	<b>278 693 279</b>	<b>132 862 078</b>

The expenditure will be financed from:

##### Sources

Government grants	41 242 140	4 990 187
Internal sources	237 451 139	127 871 891
	<b>278 693 279</b>	<b>132 862 078</b>

### 39. Operating leases

The lease agreements for office machines became effective during the financial year 2018/19.

Monthly rentals on office machines which are in the municipality's premises are expensed directly as lease rentals while the process to regularise the agreements is still in progress.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>40. Contingent liabilities</b>		
<b>Nature of the event</b>		
Dispute on subcontracting	300 000	300 000
Claims on the house gutted by fire	6 500 000	3 555 702
Application on appeal by Maruleng Civil Warriors	264 946	290 000
Application on Appeal by Maruleng Civic warriors	-	431 060
Interdict against approving and continuing with development of mall (the event occurred after year end)	-	300 000
Dispute on Account balance by Hoedspruit township developer (event occurred after year end)	500 000	844 671
Contractual claim	200 000	200 000
Application for access of information in terms of PAIA	350 000	350 000
Application to compell the municipality to approve the site development plan	400 000	400 000
Application to oppose exhumation of the body	300 000	300 000
Claims on the on Daktari Wildlife Orphanage	200 000	-
	<b>9 014 946</b>	<b>6 971 433</b>

### Contingent assets

#### Nature of the event

Claims against employee on Rental Car	500 000	-
---------------------------------------	---------	---

### 41. Unauthorised, irregular, fruitless and wasteful expenditure

#### Irregular expenditure

Opening balance	27 665 393	22 461 001
Irregular expenditure current year:		
Award above 30 000 not evaluated for price and BBBEE level	256 914	-
VAT excluded in the calculation of pricing points	343 650	-
Award made beyond the scope of the original contract through regulation 32	1 559 545	-
Award made to a bidder who is also a consultant of the municipality	951 517	-
Award advertised for less than 30 days	5 235 116	-
Procurement awarded supplier without following SCM procedures. (Moshwana Mabena Mogane Inc.)	346 155	500 000
Steyn & Clarke	162 102	42 377
Award not approved by delegated official - MTW Global travel	-	7 800
Rental car - Three quotations not obtained	26 070	-
Award advertised for less number of days - Nweti WaTilo	8 350 751	4 654 215
Closing balance	44 897 213	27 665 393
	<b>44 897 213</b>	<b>27 665 393</b>

The balance as at 30 June 2018 was R 27 665 393. The balance as at 30 June 2019 was R 36 524 401 that is currently under investigation.

#### Fruitless and wasteful expenditure

Opening balance	2 296 198	2 296 198
Reimbursement of rental car involved in an Accident	531 513	-
Over payment of Vat input on lease contract	130 319	-
	-	-
Closing balance	2 958 029	2 296 198
	<b>2 958 030</b>	<b>2 296 198</b>

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
The balance as at 30 June 2018 was R 2 296 198 and R 2 958 030. The balance for 30 June 2018 and 2019 currently under investigation.		
<b>Unauthorised expenditure</b>		
Opening balance	14 229 699	14 229 699
Over-spending on the segment due to non-cash items ( debt impairment)	18 665 177	-
	<b>32 894 876</b>	<b>14 229 699</b>

### 42. Related party disclosures

During the year, in the ordinary course of business, transactions between the Municipality and the under-mentioned parties have occurred under terms and condition no more favourable than those entered into with third parties in an arm's length transaction.

#### Related party transactions

##### Loan accounts - Owing (to) by related parties

Mopani District Municipality	25 729 186	24 003 740
------------------------------	------------	------------

##### Amounts included in Trade receivable (Trade Payable) regarding related parties

Department of roads and transport (agency)	1 789 314	1 932 279
--	-----------	-----------

S55 and S57 Employees/Employees remuneration Refer to Employee related costs note 26

Remuneration of Councilors Refer to Remuneration of Councilors note 27

### 43. Change in accounting estimates

No changes were required in accounting estimates for the financial year ended 30 June 2019.

### 44. Risk management

#### Interest rate risk

The municipality has significant interest-bearing assets and as a result there of the municipality's income and operating cashflows are substantially dependent of changes in market interest rate.

#### Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

---

Figures in Rand	2019	2018
-----------------	------	------

---

### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents and trade debtors.

The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Financial assets exposed to credit risk at year end were as follows:

#### Maximum credit risk exposure

Receivables from exchange transactions	3 163 458	2 857 464
Receivables from non-exchange transactions	17 700 481	17 098 753
Cash and cash equivalents	137 892 725	131 869 906
Other receivables	2 291 963	1 363 251
	<b>161 048 627</b>	<b>153 189 374</b>

---

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

### 45. Deviation from supply chain management regulations

Regulation 36 of the Municipal SCM Regulation of 2005 provides for deviation from and rectification of minor breaches of procurement processes. The deviation reports includes limited bidding, emergency and urgent procurement as well as avoidable deviations. The following expectations were recorded for the period under review:

DATE	DESCRIPTION OF GOODS AND SERVICES	AMOUNT	REASON FOR DEVIATION
2017-07-17	Advertisement of valuation property rates	R8 000.00	The advert is done by government printing works
2017-07-19	Verification of qualifications for shortlisted candidates	R5 102.00	SAQA is the institution that verifies qualification in South Africa.
2017-07-20	Transportation of participants to Willows for games.	R8 800.00	Great North Transport is the only company in our database that provides bus transport services.
2017-07-21	Training fee for Ntimane H	R16 960.00	Regenesys Management is the institute that provides this training.
2017-08-01	REGISTRATION FEE	R7 000.00	The institution that runs the conference.
2017-08-04	Registration fee for	R4 300.00	The institution that runs the IMPSA conference
-	Conference.	R -	-
2017-08-04	Payment for Gouws A & Seoke T for report for training on report writing.	R5 107.20	SAGE has contract with the municipality.
2017-08-04	PAYMENT FOR EXHIBITION STAND FURNITURE GETAWAY SHOW	R29 166.90	Expo Solution is the company that runs the gateway show.
2017-08-07	Mid-Year Payroll Seminar	R3 990.00	SAGE has contract with the municipality.
2017-08-22	Placement of advert for Mayoral Tournament.	R4 550.00	It is the only local radio station.
2017-08-25	Refresher Course for Examiners.	R 600.00	Department of Transport is the institution that runs the conference
2017-08-25	Transportation of participants to Mayoral tournament.	R21 500.00	Great North Transport is the only company in our database that provides bus transport services.
2017-08-25	Transportation of participants to Mayoral tournament.	R10 400.00	Great North Transport is the only company in our database that provides bus transport services.
2017-09-05	Training fee for Mogoboya TA attending EMP training	R26 950.00	University of Limpopo is the institution that provides the training.
-	-	R -	-
2017-09-06	Registration fee for Somo L and Magoro M attending leaders plenary session.	R23 997.00	The plenary session is arranged by the Institute Internal Auditors South Africa.
-	-	R -	-
2017-09-06	Provision of ambulance services during Mayoral Tournament.	R 5 746.00	The Department of Health And Social Development is the only institution registered on our suppliers database for provision of ambulance services.
2017-10-05	Calibration of speed trap machine for Traffic Department.	R 3 920.16	Truvelo Manufacturers (Pty) Ltd is the manufacturer of the speed trap machine used by the municipality.
2017-10-12	Registration fee for departmental secretaries attending training.	R 44 000.00	Institute of Municipal Administrators of South Africa provides the training.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

2017-10-12	Registration fee for Lethole SJ, Mthethwa L and Ramohlola K attending conference or ethics and behavior		R10 950.00	The institution that runs the conference.
2017-10-19	Registration fee for IMPSA conference	R	8 970.00	The institution that runs the conference.
2017-10-30	Registration fee for Gouws A, Seoke T, and Mafologela J attending SAGE VIP training		R14 307.00	SAGE has contract with the municipality.
2017-11-08	Procurement of stand for exhibition.	R	31 254.47	Reed Exhibition is the institution that runs the conference.
2017-11-10	Renewal of membership for Somo L; Magoro MJ And Mangena FM	R	5 814.00	The officials are members of the institute.
2017-11-13	Verification of qualifications for shortlisted candidates for the posts of Debtors Clerk, Cashiers & Finance Intern		R4 176.00	SAQA is the institution that verifies qualification in South Africa.
2017-11-17	Registration fee for Lewele M and Mokonyane ML attending Pan African Cemeteries & Crematoria Conference.	R	10 000.00	SACA is the institution that runs the conference
2017-11-22	Training registration fee for Paulina Mohlala.		R8 999.00	The institution that runs the conference.
2017-11-27	ANNUAL GENERAL MEETING FOR MASILO & BEAUTY MAPONYA	R	25 000.00	It has the contract with Maruleng municipality to provide munsoft system
2017-12-19	Calibration of speed trap machine for Traffic Department.	R	3 920.16	Truvelo Manufacturers (Pty) Ltd is the manufacturer of the speed trap machine used by the municipality.
2018-02-06	Verification of qualifications for shortlisted candidates for the posts of Manager PMU		R2 998.00	SAQA is the institution that verifies qualification in South Africa.
2018-02-14	Registration fee for Phiri K, Malomane C, Sabeka N And Mohlala S		R20 520.00	Munsoft has contract with the municipality.
2018-02-15	Procurement of stand for exhibition.	R	54 665.14	Reed Exhibition is the institution that runs the conference.
2018-02-28	Registration Fee For Thobejane MH, Mahlo M, Mathaba A, Rakgoale J, Mokonyane L, Sekgobela F, Phasha M, Maponya B, Mabothea K		R32 598.00	The institution that runs the conference.
2018-03-05	Training registration fee for Morema K.		R2 900.00	The institution that provides the training
2018-03-18	Training Fee for Linah Ntemane And Ramohlola Kedibone	R	14 300.00	The custodian that runs the training
2018-03-22	Registration fee for Public Indaba for Maria baloyi, lephalala phuti, Modiba Masilo, Malepe Eugene & Somo Lesley	R	31 055.00	The institution that runs the conference.
2018-03-26	Registration fee for Happy Ntemane	R	26 523.24	Regenesys is the Institution that runs the training
2018-03-27	Registration for Nelly Sekgobela	R	2 900.00	The institution that runs the Exhibition
2018-03-27	Payment of exhibition for stand furniture	R	30 319.44	The institution that runs the Exhibition
2018-03-29	Payment registration for Sithole K, Mailula G, Sithole K, Morema A, Phasha and Phahlane I	R	35 910.00	The institution that runs the Exhibition
2018-05-15	Registration for finance department training	R	75 240.00	It has the contract with Maruleng municipality to provide munsoft system
2018-05-18	Registration for mr smith, Mr Masete, Sithole K, AND Mokonyane ML	R	825.00	The institution that runs the Exhibition
2018-05-18	Registration for Sekgobela P	R	12 190.00	The institution that runs the training
2018-05-24	Procurement of order Books	R	29 974.75	The institution registered with us for printing purposes
2018-06-11	Registration fee for Maponya Mokonyane M AND Maakamela R	R	5 000.00	The institution that runs the conference.
2018-06-11	Registration fee for Magoro M, Mangena F, Malepe E and Mahlo C	R	7 800.00	The institution that runs the training
2018-06-11	Renewal of membership fee for Magoro M, Mangena F and Somo L	R	6 727.50	The institution that runs the training

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

DATE	DESCRIPTION OF GOODS AND SERVICES	AMOUNT	REASON FOR DEVIATION
31/07/2018	Conference fee for Mrs. Mokonyane Lilly.	10 000.00	The institution that runs the conference.
03/04/2019	Conference registration fee for Ntemane H Attending CIGFARO	6 265.00	The institution that runs the conference
04/10/2018	Conference registration fee for Senior Officials and finance interns.	81 637.60	The institution that runs the conference.
04/10/2018	Conference registration fee Somo ML and Lephale P	16 048.00	The institution that runs the conference.
04/10/2018	Conference registration fee for Fortress and Maria	16 048.00	The institution that runs the conference
05/10/2018	Conference registration fee for Karabo Mohlabe	8 024.00	The institution that runs the conference
23/08/2018	Registration fee for Maponya b, Sibiya P, Malale C, Phahlane M & Sithole k for CIGI	7 250.00	The institution that runs the conference
23/08/2018	Training registration fee for Berneth Ntloana & Modjadji Monareng.	16 600.00	The institution that runs the conference
17/08/2018	Procurement of stand for exhibition GETA Way Show	32 463.25	The institution that runs the conference
17/04/2019	Payment for competency assessment.	41 700.00	The institution that conducts competency assessment for senior manager
2003-08-18	Conference registration fee for Magoro MJ, Mahlo MC, Malepe E, Lephale P & So	56 304.00	The institution that runs the conference.
01/02/2019	Training fee for Somo L, Magoro j & Lephale P	13 179.00	The institution that provides the training
12/10/2018	Registration fee for training of Internal Audit personnel	12 626.00	The institution that runs the training.
22/02/2019	Outstanding payment for Malomane C & Mnisi T	6 325.00	The institution that provides the training
2006-08-18	Conference registration fee	4 070.00	The institution that runs the conference.
04/10/2018	Conference registration fee for secretaries	31 200.00	The institution that runs the conference.
31/08/2018	Membership fee	17 500.00	The institution that runs the conference
18/09/2018	Conference registration fee for Makgato MY	4 850.00	The institution that runs the conference
31/07/2018	Conference fee for Mogoboya and Shai	10 000.00	The institution that runs the conference.
14/06/2019	Training registration fee for Lephale P	2 083.00	The institution that provides the training
15/10/2018	Conference registration fee for Malepe Thoplaas	9 198.85	Intelligence transfer center that runs the conference.
31/07/2018	Training registration fee for Mogoboya, Mathole P and Maake MW	15 000.00	The institution that runs the conference.
06/08/2018	Conference registration fee for Makgato M & Ntimane L	12 710.00	The institution that runs the conference
05/12/2018	Training fee for Mangena F	7 573.90	The institution that provides the training
06/02/2019	Training fee for Mangena Felma	7 573.90	The institution that provides the training
06/03/2019	Training fee for Mahlo C & Malepe E	12 627.00	The institution that provides the training
12/06/2019	Training registration fee for Mangena F.M	13 289.40	The institution that provides the training
16/11/2018	Training fee for Mangena F	15 147.80	The institution that provides the training
30/01/2019	Renewal of maruleng library membership	3 075.00	Membership renewal
10/04/2019	Advertisement for Public Participation Events	10 000.00	It is the local radio station.
06/06/2019	Training fee for Sekgobela MF, Maponya B and Phasha M	5 175.00	The institution that provides the training
07/11/2018	Training registration fee	32 775.00	The institution that provides the training
17/08/2018	Training registration fee for Masilo Modiba and Paulina Mohlala	6 325.00	The institution that provides the training

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

18/02/2019	Training fee for officials in Expenditure Section	17 077.50	The institution that provides the training
20/02/2019	Outstanding payment for Malomane C & Mnisi T	138 000.00	The institution that provides the training
21/02/2019	Training fee for training of officials in Assets Section.	18 975.00	The institution that provides the training
16/07/2018	Munsoft ICT forum	21 850.00	The forum arranged by our financial system vendor.
21/02/2019	Training fee of SCM officials	22 770.00	The institution that provides the training
06/02/2019	Training for Mahowa Rhulani	8 165.00	The institution that provides the training
28/08/2018	Registration fee for Sabeka n attending indaba conference.	7 999.00	The institution that runs the conference
4/10/2018	Conference registration fee Ntemane L & Ramohlola KP	14 300.00	The institution that runs the conference
25/07/2018	Procurement of stand for exhibition.	52 448.21	The institution that runs the conference.
22/02/2019	Procurement of stand for exhibition	33 943.40	The institution that runs the conference
21/11/2018	Payment for exhibition stand	91 445.70	The institution that runs the show.
09/07/2018	Training registration fee for Lephale PR & Somo L	R5 842.00	The company that runs the training
03/10/2018	Conference registration fee for Mokgadi Kapa and Mashinya Priscilla	7 000.00	The institution that runs the conference.
04/10/2018	Conference registration fee for Malatjie KE	3 500.00	The institution that runs the conference.
04/10/2018	Conference registration fee for Mrs Mokonyane ML	3 500.00	The institution that runs the conference.
04/10/2018	Conference registration fee for Kedibone Sithole	3 500.00	The institution that runs the conference
11/09/2018	Training registration fee for Modiba Masilo and Seoke Thabie	7 521.00	System used by the municipality for payroll.
14/08/2018	Registration for Anita Gouws and Seoke Thabie	4 485.00	System used by the municipality for payroll.
19/09/2018	Training registration fee for Thabie and Anita Gouws	4 301.00	System used by the municipality for payroll.
25/02/2019	Training fee for Gouws & Seoke T	10 143.00	System used by the municipality for payroll.
27/03/2019	Training fee for Gouws & Seoke T	7 320.00	System used by the municipality for payroll.
04/02/2019	Registration for Phasha D	3 200.00	The custodian for architectural technologists
04/12/2018	Registration fee for Sekgobela F, Maakamela R, Shai V, Sithole K & Mogale TD	25 000.00	The institution that runs the conference.
28/07/2018	Registration fee for membership of Thobejane Happy, Mokonyane Lilly and Mahlo M	7 500.00	The institution that arranged Lekgotla.
31/07/2018	Registration for membership for commission national lekgotla	10 000.00	The institution that arranged Lekgotla.
05/10/2018	Conference registration fee for Mailula G & Mukhetoni T	19 000.00	The institution that runs the conference.
14/03/2019	Verification of qualifications for shortlisted candidates	40 820.00	The institution that verifies qualification.
04/03/2019	Training fee for SPED officials, IT official & Revenue officials	92 400.00	The institution that provides the training
29/10/2018	Registrations for Kedibone Sithole, Molebogeng Phahlane, Maponya Beauty & Sibiy	4 700.00	The institution that runs the conference
05/10/2018	Registration fee for Morema Aubrey attend building Plan conference	8 790.00	The institution that runs the conference.
18/07/2018	Calibration of pro laser speed machines	9 310.09	The manufacturer of the speed trap machine used by the municipality.
30/06/2019	Calibration of pro laser speed machines	6 182.04	The manufacturer of the speed trap machine used by the municipality.
30/06/2019	Provision of printers on a lease	855 342.03	The service provider for printers.
30/06/2019	Kgolo Institution	704 203.00	The service provider for training on MFMP .
26/10/2018	Conference fee for Ngo beni Petrus & Rakgoale Jeaneth	12 200.00	The institution that runs the conference

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

---

Figures in Rand

---

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

### 46. Commitments

#### Current commitments 2018/19

Description	Contract Number	Appointment date	Name of Companies	Contract amount	Total Expenditure 2017/2019	VAT	Total Expenditure 2018/2019	Balance at 30 June 2019
Provision of waste removal and landfill site management services for a period of three years	MLM/SCM/23/2017	01/11/2017	Nweti Wa Tilo T/A d	24 349 683.61	4 004 704.00	10 391 379.93	14 396 083.93	9 953 599.68
Supply and delivery of promotional material	MLM/SCM/02/2018	21/06/2018	White Hall Trading	121 151.20	-	-	121 151.20	-
Protective Clothing	MLM/SCM/24/2017	17/10/2017	ntimed	528 485.00	-	-	528 485.00	-
-	-	-	Munsoft	1 684 750.00	-	-	1 684 750.00	-
Compilation of Operational Risk Register.	MLM/SCM/03/2017	16/05/2018	Cathu Consulting In	389 196.00	-	-	389 196.00	-
Professional services	MLM/SCM/11/2016	18/05/2016	Faranani Consulting	500 000.00	-	-	500 000.00	-
Compilation of GRAP Compliant Asset Register for a period of three years	MLM/SCM/11/2018	26/06/2018	Cathu Consulting In	5 545 702.50	-	-	172 500.00	5 373 202.50
Supply and delivery of laptops and Carry bags	MLM/SCM/10/2018	29/06/2018	Rosie Makgo Projed	210 000.00	-	-	210 000.00	-
Supply and promotional material	MLM/SCM/26/2018	26/06/2018	A New Awakening	129 950.00	-	-	129 950.00	-
Cash collectors	MLM/SCM/0001/20	31/10/2018	Fidelity Security Se	87 894.00	-	-	87 894.00	-
Provision of security services for period of three years	MLM/SCM/32/2018	17/10/2018	hlimbyi trading ente	29 226 379.29	-	-	5 235 116.25	23 991 263.04

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

Review of disaster management plan	MLM/SCM/35/2018	17/10/2018	vutsila consalting	494 500.00	-	-	494 500.00	-
easing of photocopying machines for a period of 3 years	-	29/11/2018	Anaka Groups	6 033 769.74	-	787 013.45	855 342.03	5 178 427.71
minimum competency level training MFMP	MLM/SCM	18/12/2018	Kqolo Institute	*	-	-	704 203.00	-
appointment of a service provided for organising do-loma morula event	MLM/SCM/43/2018	18/01/2019	daily double trading	1 104 000.00	-	-	1 104 000.00	-
supply and delivery of disaster relief blankets and tents	MLM/SCM/42/2018	18/01/2019	maatshwane trading	304 328.00	-	-	304 328.00	-
supply and delivery of waste removal truck	MLM/SCM/41/2018	20/02/2019	monka investment	2 900 000.00	-	-	2 900 000.00	-
supply and delivery of furniture	MLM/SCM/40/2018	27/02/2019	pathu holdings pty l	951 516.90	-	951 516.90	951 516.90	-
supply and delivery of vehicles	MLM/SCM/15/2019	14/05/2019	bolombe 82 trading	5 920 832.50	-	-	3 994 582.20	1 926 250.30
Minimum competency level training MFMP	MLM/SCM/52/2018	13/06/2019	sekaka building and	357 901.39	-	-	357 901.39	-
fencing of mahlomelong graveyard	MLM/SCM/53/2018	13/06/2019	maatebele construc	343 649.90	-	-	343 649.90	-
fencing of worcester graveyard	MLM/SCM/50/2018	13/06/2019	phokele trading ent	374 730.95	-	-	374 730.95	-
fencing of sofaya graveyard	MLM/SCM/51/2018	13/06/2019	frontpage security a	316 030.00	-	-	316 030.00	-
fencing of sedawa graveyard	MLM/SCM/49/2018	13/06/2019	seopa oben project	308 176.00	-	-	308 176.00	-

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

supply and delivery of road maintenance material	MLM/SCM/6/2019	13/06/2019	mojammilo investm	**	-	-	-	-
restoration of municipal building	MLM/SCM/05/2019	13/06/2019	sekwai construction	1 890 544.80	-	-	937 535.75	953 009.05
upgrading of server room	MLM/SCM/16/2019	18/06/2019	ima consultancy	539 709.40	-	-	-	539 709.40
supply and fitment of tyres for a period of three years	MLM/SCM/19/2019	27/06/2019	maruleng tyres and	**	-	-	-	-
supply and delivery of asphalt	MLM/SCM/	23/06/2018	slaves solution trad	124 800.00	-	-	124 800.00	-
supply and delivery of protective clothing (epwp)	-	09/12/2019	baobab promotions	120 825.90	-	-	120 825.90	-
the layout, design and printing of A4 newsletters	-	23/07/2018	White Hall Trading	120 825.90	-	-	120 825.90	-
delivery of promotional material	-	09/12/2019	rali trading	199 200.00	-	-	199 200.00	-
supply and installation of sirens and blue lights	-	09/12/2019	repent trading pty ltd	199 200.00	-	-	199 200.00	-
supply of delivery of office stationery	-	09/12/2019	repent trading pty ltd	191 940.00	-	-	191 940.00	-
supply and delivery of tyres for motor grader	-	13/11/2018	sdlr mining pty ltd	164 500.00	-	-	164 500.00	-
supply and delivery of promotional material for strategic planning	-	24/11/2018	White Hall Trading	33 327.00	-	-	33 327.00	-

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

supply and delivery of promotional material for ward committee members	-	18/12/2018	tholangkhutso tradi	135 001.75	-	-	135 001.75	-
supply and delivery of diaries	-	14/02/2019	baobab promotions	58 995.00	-	-	58 995.00	-
Compilation of AFS	SC03/06/2019	24/06/2019	MUNSOFT	1 850 000.00	-	-	-	1 850 000.00
-	-	-	-	<b>87 811 496.73</b>	<b>4 004 704.00</b>	<b>12 129 910.28</b>	<b>38 750 238.05</b>	<b>49 765 461.68</b>

\*\*Refer to tender document for payment terms and value

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

### Capital Commitments 2018/19

PROJECT NAME	CONTRACT NUMBER	TYPE	CONTRACT		APPOINTMENT AMOUNT	PAYMNETS (incl VAT)	RETENTION RAISED (incl VAT)	BALANCE	STATUS
			START DATE	END DATE					
-	-	-	-	-	-	-	-	-	-
INDOOR SPORTS	MLM/16/2012	CONSULTANT	28/02/2013	30/06/2019	10 571 612.05	9 662 904.60	-	908 707.45	In progress
-	MLM/16/2012	CONTRACTOR	28/11/2014	30/06/2019	55 001 052.09	41 173 879.19	4 530 553.37	9 296 619.53	In progress
-	-	-	-	-	-	-	-	-	-
ELECTRIFICATION OF SCOTIA	MLM/21/2015	CONSULTANT	06/08/2015	14/03/2018	488 733.30	446 431.30	-	42 302.00	Completed
-	MLM/21/2015	CONTRACTOR	24/02/2016	14/03/2019	4 526 465.11	4 002 805.91	421 347.99	102 311.21	Completed
-	-	-	-	-	-	-	-	-	-
BALLON ACCESS ROAD	MLM/SCM/03/2016	CONSULTANT	01/02/2016	30/06/2020	6 886 318.59	5 145 452.32	-	1 740 866.27	In progress
-	MLM/SCM/03/2016	CONTRACTOR	29/06/2018	-	45 009 570.74	9 794 979.57	1 088 331.04	34 126 260.13	In progress
-	-	-	-	-	-	-	-	-	-
TURKEY 3 COMMUNITY HALL	MLM/06/2014	CONSULTANT	-	14/07/2017	665 836.82	609 726.80	-	56 110.02	Completed
-	MLM/06/2014	CONTRACTOR	28/09/2015	14/07/2017	5 349 212.88	4 814 111.01	534 901.23	200.64	Completed
-	-	-	-	-	-	-	-	-	-
TURKEY 2 ROAD	MLM/SCM/03/2014	CONSULTANT	42195.00	-	1 634 522.14	1 634 474.21	-	47.93	Completed
-	MLM/SCM/03/2014	CONTRACTOR	26/04/2016	26/04/2017	9 457 945.88	8 354 527.01	945 794.59	157 624.28	Completed
-	-	-	-	-	-	-	-	-	-
MOSHATE HALL	MLM/14/2012	CONSULTANT	24/10/2014	42586.00	1 329 455.59	1 329 454.56	-	1.03	Completed
-	MLM/14/2012	CONTRACTOR	-	-	5 721 051.00	5 148 220.93	572 024.56	805.51	Completed
-	-	-	-	-	-	-	-	-	-
HLOHLOKWE ACCESS ROAD PHASE 3	MLM/16/2012	CONTRACTOR	21/12/2016	30/07/2018	8 822 134.82	7 931 454.68	879 498.17	11 181.97	In progress
-	-	-	-	-	-	-	-	-	-
HLOHLOKWE ACCESS ROAD PHASE 3	MLM/16/2012	CONTRACTOR	-	-	11 397 806.00	6 767 026.14	710 449.32	3 920 330.54	Completed
-	-	-	-	-	-	-	-	-	-
HLOHLOKWE ACCESS ROAD PHASE 3	MLM/16/2012	CONTRACTOR	-	-	4 292 100.86	3 861 249.09	429 027.54	1 824.23	Completed

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

-	MLM/16/2012	CONSULTANT	12/1/2017	5/9/2017	2 757 689.99	2 635 860.54	-	121 829.45	-
-	-	-	-	-	-	-	-	-	-
METZ INTERNAL STREET	MLM/17/2012	CONSULTANT	28/02/2013	14/11/2017	3 011 941.12	2 740 388.92	-	271 552.20	Completed
-	-	-	-	-	-	-	-	-	-
-	MLM/17/2012	CONTRACTOR	22/12/2016	14/11/2017	10 318 776.41	8 894 502.95	988 278.79	435 994.67	Completed
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
METZ INTERNAL STREET PHASE 2	MIG/LP/1588/R/13/15	CONTRACTOR	27/05/2015	-	7 935 961.74	6 306 091.98	663 799.15	966 070.61	In progress
-	-	-	-	-	-	-	-	-	-
BOCHABELO HALL	MLM/09/2014	CONSULTANT	-	42776.00	1 157 550.58	1 157 478.03	-	72.55	Completed
-	-	-	-	-	-	-	-	-	-
-	MLM/09/2014	CONTRACTOR	21/12/2016	42776.00	4 844 999.89	4 349 985.98	484 497.27	10 516.64	Completed
-	-	-	-	-	-	-	-	-	-
WILLOWS SPORT CENTRE	MIG/LPO771/CF/07/09	CONSULTANT	-	23/8/2017	2 207 199.20	1 867 280.89	-	339 918.31	Completed
-	-	-	-	-	-	-	-	-	-
-	MIG/LPO771/CF/07/09	CONTRACTOR	25/09/2015	23/8/2017	6 161 144.82	5 071 242.26	563 471.36	526 431.20	Completed
-	-	-	-	-	-	-	-	-	-
FINALE ACCESS ROAD	MLM/05/2015	CONSULTANT	03/05/2016	22/6/2018	3 200 715.67	1 968 347.50	-	1 232 368.17	Completed
-	-	-	-	-	-	-	-	-	-
-	MLM/05/2015	CONTRACTOR	04/07/2017	22/6/2018	13 698 785.03	12 321 101.45	1 369 011.34	8 672.24	Completed
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
MAKGAUNG ACCESS ROAD	MLM/SCM/06/2015	CONSULTANT	11/01/2016	17/7/2018	1 959 209.84	1 959 209.84	-	-	In progress
-	-	-	-	-	-	-	-	-	-
-	MLM/SCM/06/2015	CONTRACTOR	04/07/2017	17/7/2018	14 113 708.11	12 609 408.29	1 401 045.43	103 254.39	In progress
-	-	-	-	-	-	-	-	-	-
LORRAINE ACCESS ROAD	MLM/SCM/04/2016	CONTRACTOR	04/07/2017	30/9/2018	14 915 791.62	13 317 113.35	1 472 839.76	125 838.51	In progress
-	-	-	-	-	-	-	-	-	-
LORRAINE ACCESS ROAD	MLM/SCM/04/2016	CONSULTANT	19/04/2016	30/9/2018	2 506 739.54	2 456 476.15	-	50 263.39	In progress
-	-	-	-	-	-	-	-	-	-
KANANA TO MAHLOMELONG ACCESS ROAD	MLM/SCM/07/2015	CONSULTANT	11/01/2016	17/7/2018	2 298 447.70	1 888 190.33	-	410 257.37	In progress
-	-	-	-	-	-	-	-	-	-
-	MLM/SCM/07/2015	CONTRACTOR	04/07/2017	17/7/2018	14 070 146.99	12 433 622.34	1 381 513.59	255 011.06	In progress
-	-	-	-	-	-	-	-	-	-
Maruleng Low level bridges	MLM/SCM/09/2015	CONSULTANT	03/05/2016	24/07/2018	2 539 408.74	2 066 908.94	-	472 499.80	In progress
-	-	-	-	-	-	-	-	-	-

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

-	-	-	-	-	-	-	-	-	-
Ga-Mametia low level bridge	MLM/SCM/09/2015	CONTRACTOR	21/07/2017	24/07/2018	4 388 879.62	3 945 301.05	438 366.76	5 211.81	In progress
-	-	-	-	-	-	-	-	-	-
Mets low level bridge	MLM/SCM/09/2015	CONTRACTOR	21/07/2017	24/07/2018	4 907 647.50	4 397 889.48	488 654.40	21 103.62	In progress
-	-	-	-	-	-	-	-	-	-
BISMARK ACCESS ROAD	MLM/SCM/17/2013	CONSULTANT	18/05/2018	30/6/2021	2 433 353.98	1 634 210.95	-	799 143.03	In progress
-	-	-	-	-	-	-	-	-	-
Madeira Access Roads	MLM/SCM/20/2013	CONSULTANT	18/05/2018	30/6/2020	2 889 549.69	1 983 596.25	-	905 953.44	In progress
-	-	-	-	-	-	-	-	-	-
Madeira Access Roads	MLM/SCM/20/2013	CONTRACTOR	18/09/2018	30/06/2020	16 348 320.86	10 787 801.09	1 175 871.11	4 384 648.66	In progress
-	-	-	-	-	-	-	-	-	-
The Oaks Internal Street	MLM/SCM/13/2013	CONSULTANT	18/05/2018	30/6/2020	2 845 444.72	2 418 436.60	-	427 008.12	In progress
-	-	-	-	-	-	-	-	-	-
The Oaks Internal Street	MLM/SCM/13/2013	CONTRACTOR	-	-	16 154 143.86	11 055 656.69	1 228 406.29	3 870 080.88	In progress
-	-	-	-	-	-	-	-	-	-
Santeng Graveyard Access Road	MLM/SCM/14/2013	CONSULTANT	21/05/2018	30/6/2021	2 531 904.82	1 377 010.45	-	1 154 894.37	In progress
-	-	-	-	-	-	-	-	-	-
Santeng Graveyard Access Road	MLM/SCM/14/2013	CONTRACTOR	23/04/2019	-	17 709 133.54	2 863 742.54	318 193.62	14 527 197.38	In progress
-	-	-	-	-	-	-	-	-	-
SEDAWA ACCESS	MLM/SCM/002/2014	CONSULTANT	-	-	4 486 650.78	2 397 086.73	-	2 089 564.05	In progress
-	-	-	-	-	-	-	-	-	-
-	MLM/SCM/002/2014	CONTRACTOR	42339.00	13/09/2017	10 834 509.92	9 415 367.06	1 227 937.10	191 205.76	In progress
-	-	-	-	-	-	-	-	-	-
Calais Sports Field	MLM/SCM/25/2013	CONSULTANT	25/05/2018	30/6/2020	6 206 896.55	3 944 510.21	-	2 262 386.34	In progress
-	-	-	-	-	-	-	-	-	-
Calais Sports Field	MLM/SCM/25/2013	CONTRACTOR	17/09/2018	-	37 762 880.88	7 580 785.65	790 032.98	29 392 062.25	In progress
-	-	-	-	-	-	-	-	-	-
Willows sportsfield phase 1	MIG/LP0378/ST/06/07	CONSULTANT	41030.00	41030.00	547 200.00	535 230.00	-	11 970.00	Completed
-	-	-	-	-	-	-	-	-	-
Willows sportsfield phase 1	MIG/LP0378/ST/06/07	CONTRACTOR	40695.00	41333.00	7 691 702.04	2 883 359.71	317 110.67	4 491 231.66	Completed
-	-	-	-	-	-	-	-	-	-

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

Turkey 3 to 4 phase 1	MIG/LP0378/ST/0 3/07	CONSULTANT	-	-	2 414 374.54	1 753 011.12	-	661 363.42	Completed
-	MIG/LP0378/ST/0 3/07	CONTRACTOR	-	-	4 613 798.31	4 124 032.54	460 781.03	28 984.74	Completed
-	-	-	-	-	-	-	-	-	-
Branding of hoedspruit	MLM/25/2012/201 3	10 KEY	-	-	2 705 000.00	2 034 661.91	227 565.11	442 772.98	Completed
-	-	-	-	-	-	-	-	-	-
Willows sports	MIG/LP0771/CF/0 7/09	CONSULTANT	-	-	1 415 771.85	1 379 032.89	-	36 738.96	Completed
willows sports	MIG/LP0771/CF/0 7/09	CONTRACTOR	-	-	6 229 604.39	5 608 540.16	620 318.12	746.11	Completed
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
Mahlomelong Access road	MIG/LP1021/R.ST 10/12	CONSULTANT	16/03/2010	16/03/2012	959 000.00	959 000.00	-	-	Completed
Mahlomelong Access road	-	CONTRACTOR	-	-	6 850 000.00	5 624 536.77	508 923.59	716 539.64	Completed
-	-	-	-	-	-	-	-	-	-
Maruleng low level bridge phase 1	MIG/LP/1287/ST/1 1/13	CONTRACTOR	-	-	7 305 318.25	6 427 757.33	626 839.96	250 720.96	Completed
-	-	-	-	-	-	-	-	-	-
Metz internal street	MLM/17/2012	CONSULTANT	27/05/2015	-	2 137 784.72	1 865 009.33	-	272 775.39	Completed
Metz internal street	MLM/17/2012	CONTRACTOR	-	-	6 556 875.20	5 686 832.99	861 164.00	8 878.21	Completed
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
Rehabilitation of Kampersrus Road	MLM/SCM/23/201 3	CONSULTANT	25/05/2018	30/6/2021	3 082 249.54	1 579 488.55	-	1 502 760.99	In progress
-	-	-	-	-	-	-	-	-	-
Newline Ga-Fani Access Road	MLM/SCM/21/201 3	CONSULTANT	31/05/2018	30/6/2021	3 158 639.72	3 095 076.09	-	63 563.63	In progress
Newline Ga-Fani Access Road	MLM/SCM/21/201 3	CONTRACTOR	23/04/2019	-	32 996 546.64	1 607 447.00	160 744.70	31 228 354.94	In progress
-	-	-	-	-	-	-	-	-	-
Butswana acces road	MLM/SCM/19/201 3	CONSULTANT	10/05/2018	30/6/2021	3 836 042.75	1 380 585.21	-	2 455 457.54	In progress
-	-	-	-	-	-	-	-	-	-
Butswana acces road	MLM/SCM/19/120 18	CONTRACTOR	43744.00	43956.00	26 445 263.12	3 054 798.54	339 422.06	23 051 042.52	In progress
-	-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-	-
Worcester access road	MLM/SCM/2018	CONTRACTOR	23/04/2019	-	28 289 959.10	2 194 378.02	243 819.78	25 851 761.30	In progress

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand

Worcester access road	MLM/SCM/2018	CONSULTANT	-	-	3 630 226.54	2 772 416.00	-	857 810.54	In progress
-	-	-	-	-	-	-	-	-	-
Willows Access Road	MLM/SCM/14/201	CONSULTANT	31/05/2018	30/6/2021	2 692 825.52	1 374 746.36	-	1 318 079.16	In progress
-	3	-	-	-	-	-	-	-	-
Willows Access Road	MLM/SCM/14/201	CONTRACTOR	23/04/2019	-	23 516 524.24	3 209 816.91	356 646.32	19 950 061.01	In progress
-	3	-	-	-	-	-	-	-	-
-	-	-	-	-	<b>585 426 058.05</b>	<b>327 671 059.25</b>	<b>28 827 182.10</b>	<b>228 927 816.70</b>	-

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>47. Contracted services</b>		
<b>Presented previously</b>		
Refuse and waste removal	7 261 523	5 791 133
Outsourced services: Security Services	6 273 098	3 808 100
	<b>13 534 621</b>	<b>9 599 233</b>

### 48. Correction of prior year errors

#### Statement of financial position

#### Accumulated surplus

**Corrections were made and appropriated to the accumulated surplus account for the financial years ended 30 June 2018 and 30 June 2019.**

Accumulated surplus were affected as follows:

During the year, the municipality noted that expenses and creditors were raised during the prior for items that were already provided for as accruals in the prior prior year. Below is the effect of the correction:

<b>Correction of Expenditure - 01 July 2019</b>	Effect	
	-	-
Correction of overstated expenditure - Functions and events		-8 000.00
Correction of overstated expenditure - Free basic electricity		-190 619.10
Effect on Accumulated surplus		<u>-198 619.10</u>
	-	-
<b>Correction on Liabilities - 01 July 2019</b>	Effect	
	-	-
Decrease in Trade and other payables		227 211.97
<b>Restated opening balance</b>		<u>227 211.97</u>
	-	-
<b>Correction on VAT receivables - Asset</b>	Effect	
	-	-
Decrease in VAT receivables		-28 592.87
<b>Restated opening balance</b>		<u>-28 592.87</u>
	-	-

1. A new asset was found upon field verification and added to Roads infrastructure. This resulted in an increase in the opening balance carry value of the 2018/19 year of 127 379 082.76. The accumulated surplus was in increased by R 1 502 940.

2. During the year under review, there were misclassification of movable assets between computer equipment, Furniture and Machinery equipment. Although the impact of the reclassification is zero, below is the prior year correction of error

3. During the year under review, there were misclassification of expenditures between employee related costs, refreshment and protective clothing which was also misclassified in the prior year, below is the prior year correction of error.

<b>Correction of cost of Roads 01 July 2018 (1)</b>	Effect	
<b>Opening balance 01 July 2018</b>		125 876 142.01
Fair valuing of project omitted in the prior year		1 502 940.75
<b>Restated Opening balance 01 July 2018</b>		<u>127 379 082.76</u>
	-	-
<b>Correction of cost of Computer Equipment 01 July 2018 (2)</b>		
<b>Opening balance 01 July 2018</b>		2 413 743.56
Reclassification from Furniture and Office Equipment		653 478.05
Reclassification from Machinery Equipment		77 631.58
Reclassification to Furniture and Office Equipment		-14 874.86
<b>Restated Opening balance 01 July 2018</b>		<u>3 129 978.33</u>

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

Figures in Rand	2019	2018
<b>Correction of Error Furniture and Office Equipment (2)</b>	-	-
<b>Opening balance 01 July 2018</b>	5 985 427.43	-
Reclassification to Computer Equipment	-653 478.05	-
Reclassification from Computer Equipment	14 874.86	-
Reclassification to Machinery Equipment	-11 500.00	-
<b>Restated Opening balance 01 July 2018</b>	<u>5 335 324.24</u>	-
<b>Correction of Error Machinery Equipment (2)</b>	-	-
<b>Opening balance 01 July 2018</b>	1 104 957.46	-
Reclassification to Computer Equipment	-77 631.58	-
Reclassification from Furniture and Office Equipment	11 500.00	-
<b>Restated Opening balance 01 July 2018</b>	<u>1 038 825.88</u>	-
<b>Correction of Accumulated Depreciation of Computer Equipment 01 July 2018 (2)</b>	-	-
<b>Opening balance 01 July 2018</b>	1 740 176.54	-
Reclassification from Furniture and Office Equipment	406 716.56	-
Reclassification from Machinery Equipment	66 801.44	-
Reclassification to Furniture and Office Equipment	-8 757.30	-
<b>Restated Opening balance 01 July 2018</b>	<u>2 204 937.24</u>	-
<b>Correction of Accumulated Depreciation Error Furniture and Office Equipment (2)</b>	-	-
<b>Opening balance 01 July 2018</b>	4 107 392.43	-
Reclassification from Computer Equipment	8 757.30	-
Reclassification to Computer Equipment	-406 716.56	-
Reclassification to Machinery Equipment	-11 373.29	-
<b>Restated Opening balance 01 July 2018</b>	<u>3 698 059.88</u>	-
<b>Correction of Error Accumulated Depreciation Machinery Equipment (2)</b>	-	-
<b>Opening balance 01 July 2018</b>	580 001.43	-
Reclassification to Computer Equipment	-66 801.44	-
Reclassification from Furniture and Office Equipment	11 373.29	-
Restated Opening balance 01 July 2018	-	-
<b>Restated Opening balance 01 July 2018</b>	<u>524 573.28</u>	-
<b>Correction of Error Employee related costs - salaries and wages (3)</b>	-	-
<b>Opening balance 01 July 2018</b>	39 674 580.69	-
Reclassification to refreshments expenses	-13 900.00	-
Reclassification to protective clothing expenses	-159 968.00	-
<b>Restated Opening balance 01 July 2018</b>	<u>39 500 712.39</u>	-
<p>During asset verification we discovered that there were infrastructure assets (Street Lights) that were written-off in the prior year however during the asset verification we discovered that the assets are still in fair condition and are used by the community. The disposal of the asset was reversed in the current year and the impact is an increase in the electrical asset of R320 244.26 and increase in accumulated depreciation of R266 242.3 resulting in a net difference of R54 001.97. Another asset was incorrectly depreciated in the prior year.</p>		
<b>Opening balance 01 July 2018</b>	10 688 345.00	-
Asset erroneously disposed in the prior year	320 244.00	-
<b>Restated Opening balance 01 July 2018</b>	<u>11 008 589.00</u>	-
<b>Correction of Accumulated Depreciation of Roads 01 July 2018</b>	-	-
<b>Opening balance 01 July 2018</b>	(9 290 240.00)	-
Asset erroneously disposed in the prior year	(266 242.29)	-
Asset incorrectly depreciated	156 086.29	-
<b>Restated Opening balance 01 July 2018</b>	<u>(9 400 396.00)</u>	-

Corrections were made and appropriated to the accumulated surplus account for the financial year ended 30 June 2019.

# MARULENG LOCAL MUNICIPALITY

(Registration number LIM 335)

Financial Statements for the year ended 30 June 2019

## Notes to the Financial Statements

---

Figures in Rand	2019	2018
-----------------	------	------

---

### 49. Actual capital expenditure versus budgeted capital expenditure

### 50. Rental of facilities and equipment

Municipal properties rented out	274 696	224 089
---------------------------------	---------	---------